

CITY OF HIGHLAND, ILLINOIS  
ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS  
APRIL 30, 2015

CITY OF HIGHLAND, ILLINOIS

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**CITY OF HIGHLAND, ILLINOIS**  
**April 30, 2015 - Management's Discussion & Analysis**

**CITY OF HIGHLAND, ILLINOIS**  
**Council/Manager - Form of Government**  
**April 30, 2015**

MAYOR

Joseph Michaelis

CITY MANAGER

Mark Latham

CITY COUNCIL MEMBERS

Rick Frey

Peg Bellm

Aaron Schwarz

Neill Nicolaides

CITY CLERK

Barbara Bellm

CITY TREASURER

Dennis Foehner

DEPARTMENT DIRECTORS

Daniel Cook

Kelly Korte

Lisa Schoeck

Angela Kim

Mark Rosen

Terry Bell

Joe Gillespie

Angela Imming

Lisa Peck

Electric

Finance

Human Resources

Library

Parks & Recreation

Public Safety

Public Works

Technology & Innovation

Economic & Community Development

**CITY OF HIGHLAND, ILLINOIS**  
**April 30, 2015 - Management's Discussion & Analysis**

This section of the City of Highland's annual financial report presents discussion and analysis from City management regarding the City's financial performance during the fiscal year that ended on April 30, 2015 with comparative information for the fiscal year ended April 30, 2014.

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**FINANCIAL HIGHLIGHTS**

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- Total assets exceeded liabilities at the close of the fiscal year by approximately \$69.2 million (net position). Of this amount, the unrestricted amount of \$19.8 million may be used to meet the City's ongoing obligations to citizens and creditors.
- City-wide net position increased 3.7% during the fiscal year. An increase of 6.9% was realized in governmental activities while a .4% decrease occurred within enterprise activities.
- The City of Highland is compliant with the GASB 34 reporting model, which requires accounting for depreciation of fixed assets within governmental activities. Shown within the Statement of Net Position, the fixed assets year-end balance for fiscal year 2015 is \$78.5 million (net of depreciation). This is comprised of \$41.8 million for governmental activities plus \$36.7 million for business-type activities. The 4.6% increase in fixed assets is largely represented by the City's continued investment in street and fiber projects.
- Receipts of the traditional sales tax, shown within the "Intergovernmental" revenue line item, increased 2.8% during FY 2015. According to City estimates, the number of retailers in Highland has not changed dramatically.
- FY 2015 was the seventh full year of receipts from the 2006 Non-Home Rule Sales Tax Referendum. This 1% NHR sales tax was estimated to bring in an additional \$1.3 - \$1.5 million annually to the City for street projects. Receipts for the year equaled \$1.4 million.
- Building permit activity has begun to rebound and connection fee revenues are slowing down. The growth rate of the City's equalized assessed value (EAV), which is an important component in property tax calculations, is difficult to predict for the future with ever increasing economic concerns.

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## USING THIS ANNUAL REPORT

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This annual report consists of a series of financial statements.

- The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances.
- For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.
- The Enterprise fund statements display the results of the utility funds for each fiscal year.
- The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### **Reporting the City as a Whole – The Statement of Net Position and the Statement of Activities**

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

### **Reporting the City's Most Significant Funds - Fund Financial Statements**

Some funds are required to be established by State law and bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (such as the 2006 Electric Bonds for Infrastructure Improvements) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The City's three types of funds use different accounting approaches:

- *Governmental Funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow into and out of these funds and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliations within Exhibits #4 and #6 of the "Basic Financial Statements" section.
- *Enterprise Funds* – Services for which the City charges customers for the full cost of the services it provides are generally reported in enterprise funds. These business-type activities, like the government-wide statements, provide both long- and short-term financial information. Business-type activities are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

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- *Fiduciary Funds* – The City has fiduciary responsibility for other assets that – because of trust arrangements – can be used only for the trust beneficiaries. The City is responsible for ensuring the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

In the supplemental information section, the City has provided detailed schedules of revenues, expenditures, and changes in fund balances for four funds. In addition, detailed historical data can be found regarding tax levies, building permits, and property values. Information regarding principal taxpayers, overlapping debt, and miscellaneous statistics about the City of Highland are also included. The reports are intended to provide the user with information beyond the realm of the traditional auditing requirements.

**CITY OF HIGHLAND, ILLINOIS**  
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**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The following table provides a comparison between the activities for FY '15 and the activities for FY '14 under the GASB Statement No. 34 model. The city-wide total for revenues decreased \$1.9 million and expenditures increased \$0.8 million compared to the previous fiscal year. Governmental revenues exceeded expenditures for the current and prior fiscal year. In this fiscal year, the business-type activities experienced slightly more expenditures than revenue while in the prior fiscal year they were equal. The surplus is utilized by the City of Highland to meet the City's fiscal policy in relation to reserves for operations, maintenance, and capital projects and any deficits are covered by surplus created in prior years.

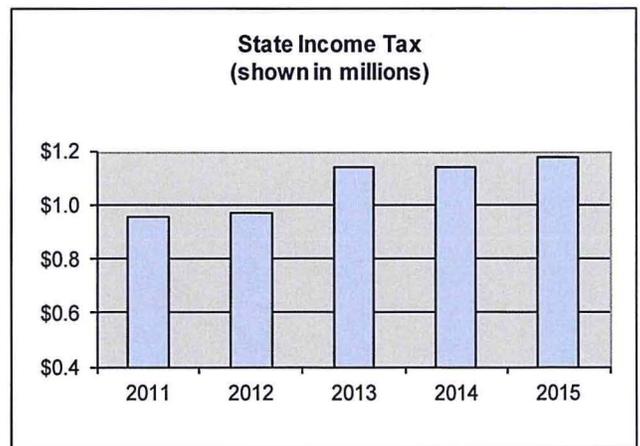
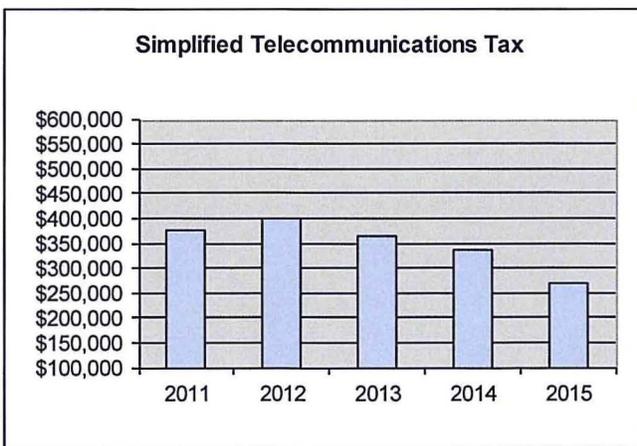
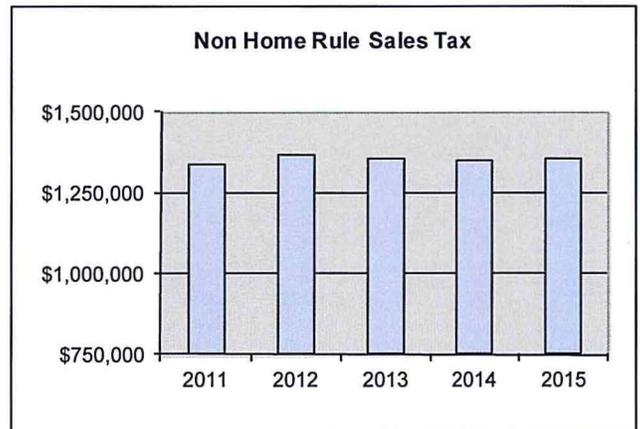
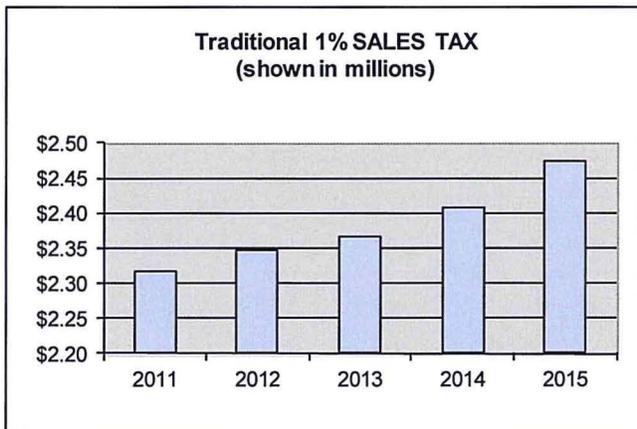
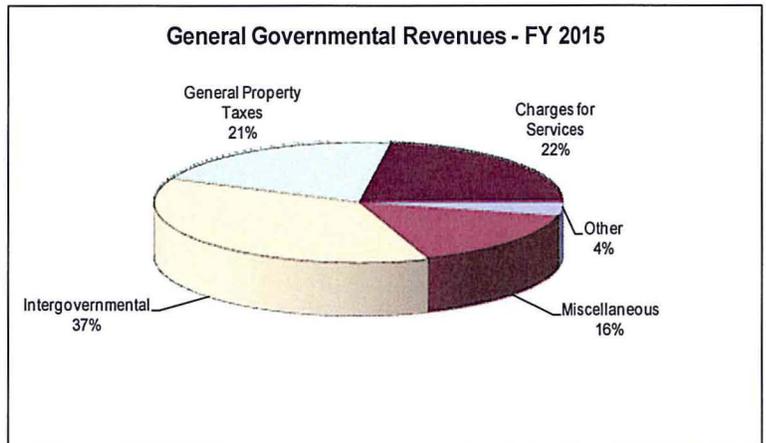
**Changes in the City of Highland's Activities**  
**(in millions of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>Fiscal Year 2015</b>	<b>Fiscal Year 2014</b>	<b>Fiscal Year 2015</b>	<b>Fiscal Year 2014</b>	<b>Fiscal Year 2015</b>	<b>Fiscal Year 2014</b>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 4.0	\$ 3.8	\$ 20.8	\$ 20.6	\$ 24.8	\$ 24.4
Operating Grants and Contributions	0.1	0.1			0.1	0.1
Capital Grants and Contributions	2.2	4.6			2.2	4.6
General Revenues						
Property Taxes, General Purposes	3.4	3.3			3.4	3.3
Intergovernmental	6.1	6.1			6.1	6.1
Miscellaneous	0.3	0.3	0.4	0.5	0.7	0.8
Interfund Transfers	0.1				0.1	
<b>Total Revenues</b>	<b>\$ 16.2</b>	<b>\$ 18.2</b>	<b>\$ 21.2</b>	<b>\$ 21.1</b>	<b>\$ 37.4</b>	<b>\$ 39.3</b>
<b>Expenditures</b>						
General Government	\$ 1.8	\$ 1.5			\$ 1.8	\$ 1.5
Public Safety	5.2	4.8			5.2	4.8
Highways and Streets	2.5	2.4			2.5	2.4
Culture and Recreation	2.5	2.4			2.5	2.4
Economic Development	0.2	0.4			0.2	0.4
Employer's Cont. to Retirement Fund	0.9	0.9			0.9	0.9
Interest on Long-Term Debt	0.5	0.6			0.5	0.6
Electric			\$ 15.5	\$ 15.4	15.5	15.4
Water			2.2	2.3	2.2	2.3
Sewer			2.1	2.1	2.1	2.1
Solid Waste			1.4	1.3	1.4	1.3
Interfund Transfer			0.1		0.1	
<b>Total Expenditures</b>	<b>\$ 13.6</b>	<b>\$ 13.0</b>	<b>\$ 21.3</b>	<b>\$ 21.1</b>	<b>\$ 34.9</b>	<b>\$ 34.1</b>
<b>Change In Net Position</b>	<b>2.6</b>	<b>5.2</b>	<b>(0.1)</b>	<b>-</b>	<b>2.5</b>	<b>5.2</b>
<b>Beginning Net Position</b>	<b>37.1</b>	<b>31.9</b>	<b>29.6</b>	<b>29.6</b>	<b>66.7</b>	<b>61.5</b>
<b>Ending Net Position</b>	<b>\$ 39.7</b>	<b>\$ 37.1</b>	<b>\$ 29.5</b>	<b>\$ 29.6</b>	<b>\$ 69.2</b>	<b>\$ 66.7</b>

**Governmental Activities**

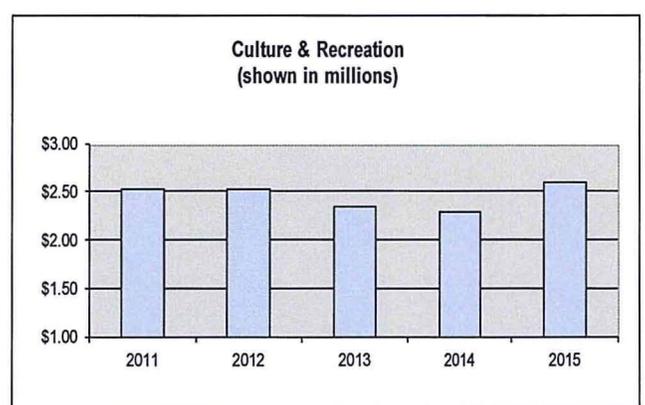
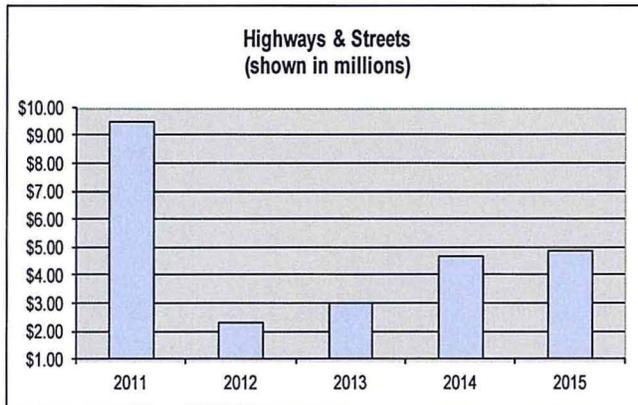
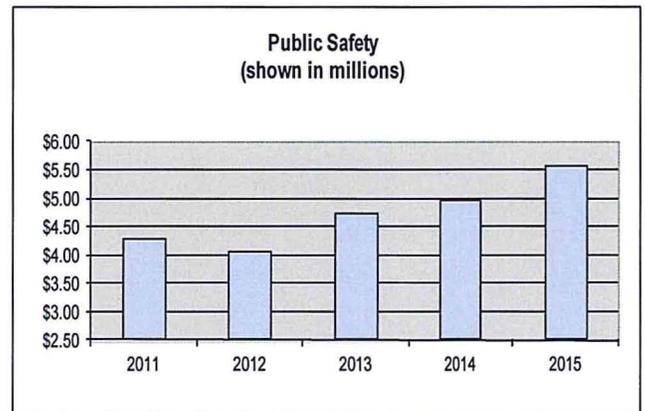
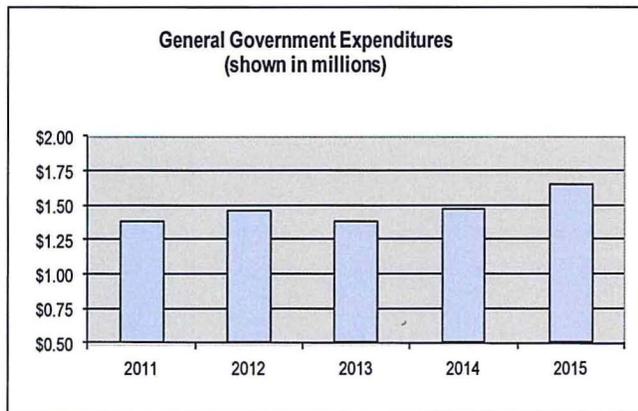
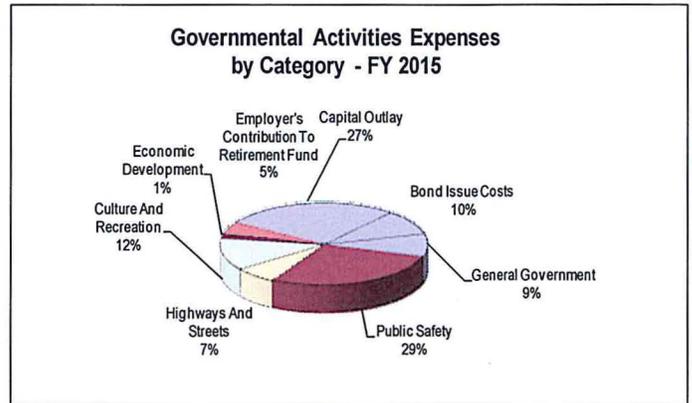
Governmental Activities include all funds except Business-Type Activities and the Police Pension Fiduciary Fund. Examples include the following: General Fund (which includes the Police Dept, Fire Dept, Building and Zoning, General Administration, and PW Admin / Street Dept. among others), Ambulance Fund, Parks and Recreation, and the various Library Funds.

Intergovernmental revenues include revenues due to the City of Highland that pass through the State of Illinois. These include, but are not limited to, sales tax, income tax, and the simplified telecommunications tax. Corporate replacement tax as well as fines and forfeitures are included within the "other" category. The "miscellaneous" category includes interest income. "Charges for Services" includes billings from the City's Ambulance service and user fees from Parks & Recreation.



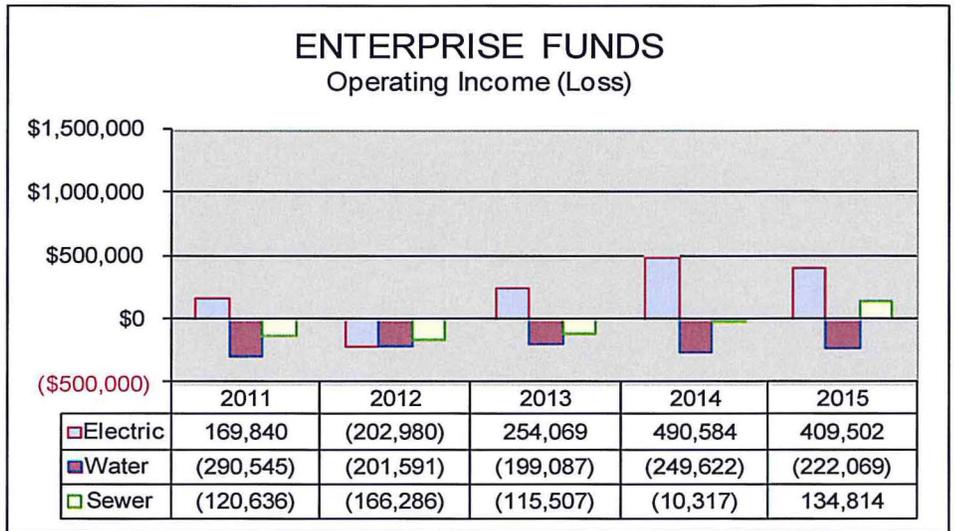
**CITY OF HIGHLAND, ILLINOIS**  
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Expenditures of Governmental Activities are spread among a wide variety of functions. Among these are public safety functions of police, fire, and EMS. Also included are the activities of highways and streets as well as culture and recreation (parks & recreation / library). These areas are funded with the aforementioned revenues such as property taxes and intergovernmental revenues. The charts included on this page depict the governmental activities expense amounts for the various functions.



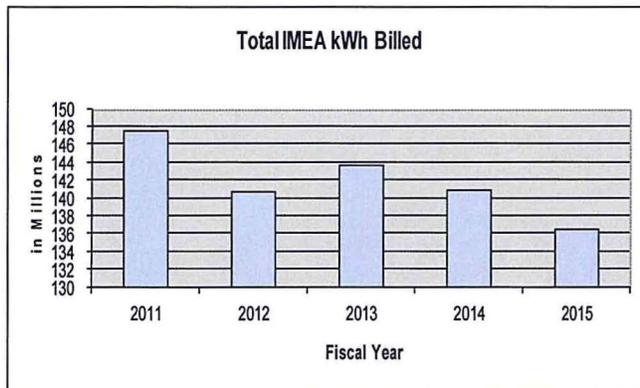
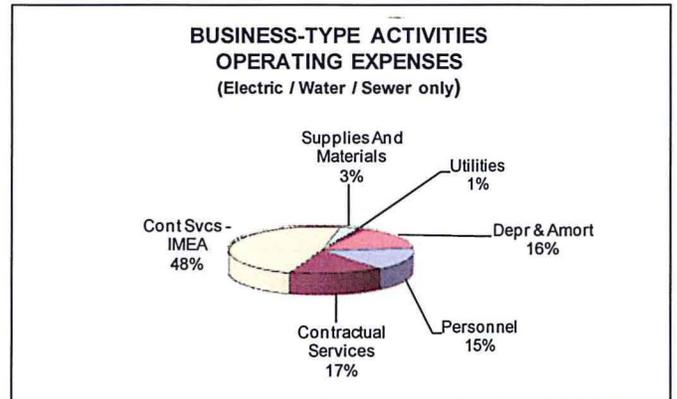
**Business-Type Activities**

Business-type activities include revenues and expenditures related to the Electric, Water, Sewer, and Solid Waste funds. Business-type activities do not receive property or intergovernmental taxes. Each enterprise fund operates as an independent entity, relying solely on user fees for operations. Decreases in FY 2015 resulted from increased rainfall throughout the year



yielding less water consumption along with increased costs to treat the water. The sewer fund implemented a rate increase in the prior year which allowed the fund to have a positive year. The electric fund also includes expenditures for installation of the new fiber infrastructure and operations which is continuing to increase revenues on a monthly basis.

No major changes were noted among operating expenses of the Electric, Water or Sewer fund. The operating expenses for the three funds listed decreased in total by .1%. City staff works hard to maintain expenses at a level that can be maintained by current revenues.



For the Electric Fund, total operating revenues increased by .4% during FY '15. Total operating expenditures increased by 1% due to additional costs for fiber operations that will be recovered as revenues continue to grow for this endeavor.

**STATUS OF CITY RESERVES**

The governmental funds reported a *combined* fund balance of \$13.1 million. The City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in a prior fiscal year. This created five new classifications for fund balance reporting including non-spendable, restricted, committed, assigned and unassigned. The classifications are important in determining the order of use for fund balances remaining at year end.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of FY 2015, the City had \$78.5 million (net of depreciation) invested in a range of capital assets that include equipment, building and structures, and infrastructure. Infrastructure is valued based on the composite cost. The straight-line depreciation method is used, with a salvage value always being zero. More detailed information about the City's capital assets can be found in Note 6 of the Notes to the Financial Statements.

**City of Highland's Capital Assets  
 (net of depreciation, in millions of dollars)**

	Governmental Activities		Business-type Activities		Totals	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2015	2014	2015	2014	2015	2014
Land	\$ 7.7	\$ 7.7	\$ 0.8	\$ 0.8	\$ 8.5	\$ 8.5
Construction in Progress	7.8	3.9	2.4	0.4	10.2	4.3
Bldgs & Improvements	5.0	5.2	4.3	5.0	9.3	10.2
Other Improvements	2.0	1.9	6.1	6.5	8.1	8.4
Equipment	0.8	0.8	2.7	3.1	3.5	3.9
Infrastructure	18.5	19.5			18.5	19.5
Lines			16.7	16.4	16.7	16.4
Interconnect			3.7	3.9	3.7	3.9
<b>Totals</b>	<b>\$ 41.8</b>	<b>\$ 39.0</b>	<b>\$ 36.7</b>	<b>\$ 36.1</b>	<b>\$ 78.5</b>	<b>\$ 75.1</b>

The City of Highland transfers amounts between funds for the main purpose of saving for future capital expenditures. Each fund transfers excess funds at year-end to the City Property Replacement Fund where it remains, until needed, to be transferred back for eligible capital purchases. Transfers also exist among funds in order to allocate the general administrative expenses among the appropriate fund. For more information on these interfund transfers see Note 9 in the Notes to the Financial Statements.

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**Debt Administration**

The City of Highland has no general obligation debt counting against its legal debt limit because the City does not require the use of property taxes for repayment of debt. Debt repayment is accomplished primarily with sales tax revenue and utility sales. The passage of the 2006 Non-Home Rule Sales Tax Referendum is a major reason for this accomplishment. The City of Highland's legal debt limit of \$15.3 million is now fully available upon approval of voter referendum approval. Total City debt per capita is approximately \$3,000. More detailed information about the City's debt can be located in Note 7 of the Notes to Financial Statements.

**City of Highland's Outstanding Debt**  
**(in millions of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>Fiscal Year</b>		<b>Fiscal Year</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Revenue Bonds	\$ 13.6	\$ 14.9	\$ 15.7	\$ 16.6	\$ 29.3	\$ 31.5
Notes Payable			1.3	1.7	1.3	1.7
Maintenance Agreements Payable			0.2	0.3	0.2	0.3
<b>Totals</b>	<b>\$ 13.6</b>	<b>\$ 14.9</b>	<b>\$ 17.2</b>	<b>\$ 18.6</b>	<b>\$ 30.8</b>	<b>\$ 33.5</b>

**CURRENT EVENTS AND NEXT YEAR'S BUDGET**

The City of Highland has taken an aggressive approach towards managing the growth of the community. The following is a brief description of some of the actions taken in FY '15, with a brief look ahead into FY '16.

Many of the street projects that began with the adoption of the non-home rule sales tax have now been completed and the citizens are utilizing these improvements on a daily basis. Construction has been completed on the final portion of the Northeast Quadrant and the beginnings of Rinderer Park are surfacing. The Fiber-to-the-Premise (FTTP) project continues to gain customers each week as the fifth phase of the project is getting ready to be constructed. The City's crews are continuing to build this system out in hopes of reaching all customers within the corporate City limits in the near future. This exciting project continues to grow as customers are added and more citizens realize how valuable these community provided services can be. We look forward to watching this project continue to grow.

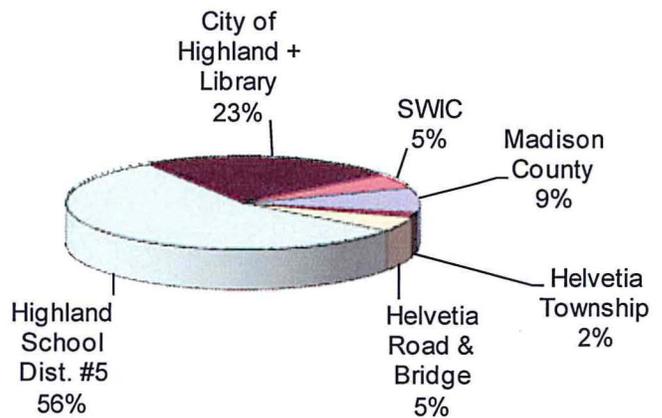
Steps have been taken to improve daily operations and help the City become more efficient. The City uses aspects of various performance management tools for budgeting and trend analysis. Under the direction of the City Manager, various committees have been established to review policies and procedures and to take an active role in assisting the City with its management. For example, a Growth Management Committee, comprised of key city staff members, created a growth plan that accounts for the short and long-term needs for each department to ensure that adequate infrastructure and services are available concurrently with new development.

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As of April 2015, the City's Equalized Assessed Value increased .85% to a total of \$177.8 million. The EAV is used in conjunction with the 2014 Property Tax Levy for the collection of property taxes during FY 2015-2016. The City of Highland's property tax rate for 2014 represents 23% of the total property tax rate in Helvetia Township (Saline Township is nearly identical).

The City's portion of the total property tax rate for Highland residents has remained relatively the same for the past few years.

The City strives to maintain its property tax rate at the lowest amount possible while providing the highest quality of service.



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**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Highland, PO Box 218, Highland, IL 62249.

General information relating to the City of Highland may be found at [www.highlandil.gov](http://www.highlandil.gov).



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND  
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON BETHALTO

## INDEPENDENT AUDITOR'S REPORT

October 12, 2015

To the City Council  
City of Highland  
Highland, IL 62249

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Highland, Illinois, as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Basis for Qualified Opinion

The City has omitted disclosures required by Governmental Accounting Standards Board Statement 67, *Financial Reporting for Pension Plans*, due to the unavailability of information. The amount by which these disclosures would affect the financial statements is not reasonably determinable.



## Qualified Opinion

In our opinion, except for the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Highland, Illinois, as of April 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 1 through 11, the budgetary comparison information on pages 59 through 62, the schedules of funding progress on pages 63 through 66, and the schedule of employer contributions on page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Prior Period Partial Comparative Information*

The prior year partial comparative information has been derived from the City of Highland’s 2014 financial statements, and in our report dated October 6, 2014, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Highland, Illinois’ basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information, except that portion which has been marked “unaudited”, is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The tables within the statistical section that have been marked “unaudited” have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

  
Highland, IL

## CITY OF HIGHLAND, ILLINOIS

## STATEMENTS OF NET POSITION

ASSETS	PRIMARY GOVERNMENT						COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL		INDUSTRIAL DEVELOPMENT COMMISSION
	APRIL 30,		APRIL 30,		APRIL 30,		
	2015	2014	2015	2014	2015	2014	2015
Current Assets:							
Cash and Investments	\$ 12,147,876	\$ 13,044,303	\$ 10,477,103	\$ 11,485,954	\$ 22,624,979	\$ 24,530,257	\$ 20,095
Receivables (Net, Where Applicable of Allowance for Uncollectibles):							
Property Taxes	3,541,719	3,251,349			3,541,719	3,251,349	
Replacement Tax Receivable	36,776	28,834			36,776	28,834	
Accounts Receivable	849,979	700,748	746,871	938,330	1,596,850	1,639,078	
Income Tax Receivable	196,444	178,821			196,444	178,821	
Sales Tax Receivable	582,721	572,562			582,721	572,562	
Unbilled Revenue			1,310,001	1,240,534	1,310,001	1,240,534	
Due from Other Fund			64,085	64,085	64,085	64,085	
Other	120,563	152,448	16,355	17,817	136,918	170,265	52,596
Prepaid Expenses	244,475	277,365	190,212	225,414	434,687	502,779	
Restricted Assets:							
Cash and Investments	59,435	25,596	63,870	259,770	123,305	285,366	
Capital Assets (Net of Accumulated Depreciation)	41,857,301	38,959,561	36,663,629	36,118,486	78,520,930	75,078,047	
Other Assets (Net of Accumulated Amortization)	733	923			733	923	
Total Assets	\$ 59,638,022	\$ 57,192,510	\$ 49,532,126	\$ 50,350,390	\$ 109,170,148	\$ 107,542,900	\$ 72,691
<u>LIABILITIES</u>							
Current Liabilities:							
Accounts Payable	\$ 838,850	\$ 294,047	\$ 1,837,065	\$ 1,198,921	\$ 2,675,915	\$ 1,492,968	
Accrued Salaries and Benefits	219,249	191,945	113,354	102,673	332,603	294,618	
Due to Other Fund	64,085	64,085			64,085	64,085	
Accrued Interest	64,075	113,071	215,191	268,404	279,266	381,475	
Customer Deposits			66,254	57,924	66,254	57,924	
Premium on Revenue Bonds	61,426	23,380	25,522	28,360	86,948	51,740	
Long-Term Liabilities:							
Portion Due or Payable Within One Year:							
Bonds Payable	1,690,000	1,345,000	935,000	875,000	2,625,000	2,220,000	
Notes Payable			416,891	405,099	416,891	405,099	
Maintenance Agreement Payable			50,828	50,828	50,828	50,828	
Portion Due or Payable After One Year:							
Compensated Absences	679,062	626,330	410,668	402,795	1,089,730	1,029,125	
Other Post Employment Benefits Payable	232,877	189,755	111,902	91,181	344,779	280,936	
Bonds Payable	11,919,367	13,464,367	14,780,000	15,715,000	26,699,367	29,179,367	
Notes Payable			870,542	1,287,433	870,542	1,287,433	
Long-Term Accrued Interest	649,729	506,228			649,729	506,228	
Maintenance Agreement Payable			203,320	254,149	203,320	254,149	
Total Liabilities	16,418,720	16,818,208	20,036,537	20,737,767	36,455,257	37,555,975	\$ 0
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable Property Taxes	3,541,719	3,251,349	0	0	3,541,719	3,251,349	0
<u>NET POSITION</u>							
Invested in Capital Assets, Net of Related Debt	28,247,934	24,150,194	19,407,048	17,530,977	47,654,982	41,681,171	
Restricted for:							
Special Revenue Purposes	1,526,693	1,734,219			1,526,693	1,734,219	72,691
Other Purposes	68,547	112,091			68,547	112,091	
Long-Term Debt	56,431	66,289	63,870	259,770	120,301	326,059	
Unrestricted	9,777,978	11,060,160	10,024,671	11,821,876	19,802,649	22,882,036	
Total Net Position	39,677,583	37,122,953	29,495,589	29,612,623	69,173,172	66,735,576	72,691
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 59,638,022	\$ 57,192,510	\$ 49,532,126	\$ 50,350,390	\$ 109,170,148	\$ 107,542,900	\$ 72,691

The accompanying notes are an integral part of the financial statements.

CITY OF HIGHLAND, ILLINOIS  
STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED APRIL 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General Government	\$ 1,747,850	\$ 1,537,222	\$ 3,557		\$ (207,071)		\$ (207,071)	
Public Safety	5,207,562	1,421,291			(3,786,271)		(3,786,271)	
Highways and Streets	2,483,332	8,850		\$ 2,129,394	(345,088)		(345,088)	
Culture and Recreation	2,545,818	1,038,557	66,959	38,689	(1,401,613)		(1,401,613)	
Economic Development	242,904		14,500		(228,404)		(228,404)	
Employer's Contribution to Retirement Fund	903,264				(903,264)		(903,264)	
Interest on Long-Term Debt	499,822				(499,822)		(499,822)	
<b>Total Governmental Activities</b>	<b>13,630,552</b>	<b>4,005,920</b>	<b>85,016</b>	<b>2,168,083</b>	<b>(7,371,533)</b>	<b>\$ 0</b>	<b>(7,371,533)</b>	
<b>Business-Type Activities:</b>								
Electric	15,479,636	15,266,278				(213,358)	(213,358)	
Water	2,193,759	1,971,690				(222,069)	(222,069)	
Sewer	2,078,624	2,082,634				4,010	4,010	
Other Programs	1,439,363	1,523,309				83,946	83,946	
<b>Total Business-Type Activities</b>	<b>21,191,382</b>	<b>20,843,911</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(347,471)</b>	<b>(347,471)</b>	
<b>Total Primary Government</b>	<b>\$ 34,821,934</b>	<b>\$ 24,849,831</b>	<b>\$ 85,016</b>	<b>\$ 2,168,083</b>	<b>(7,371,533)</b>	<b>(347,471)</b>	<b>(7,719,004)</b>	
<b>Component Unit:</b>								
Industrial Development								\$ 0
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property Taxes, Levied for General Purposes					3,356,567		3,356,567	
Intergovernmental					6,123,474		6,123,474	
Gain on Disposal of Capital Assets					4,950	33,775	38,725	
Interest and Miscellaneous Income					291,172	346,662	637,834	2,784
Transfers					150,000	(150,000)	0	
<b>Total General Revenues</b>					<b>9,926,163</b>	<b>230,437</b>	<b>10,156,600</b>	<b>2,784</b>
<b>Change in Net Position</b>					<b>2,554,630</b>	<b>(117,034)</b>	<b>2,437,596</b>	<b>2,784</b>
Net Position Beginning					37,122,953	29,612,623	66,735,576	69,907
Net Position Ending					<b>\$ 39,677,583</b>	<b>\$ 29,495,589</b>	<b>\$ 69,173,172</b>	<b>\$ 72,691</b>

CITY OF HIGHLAND, ILLINOIS  
  
STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED APRIL 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General Government	\$ 1,524,314	\$ 1,403,946	\$ 3,409		\$ (116,959)		\$ (116,959)	
Public Safety	4,834,763	1,310,949	1,000		(3,522,814)		(3,522,814)	
Highways and Streets	2,393,906	7,200	50,375	\$ 4,422,604	2,086,273		2,086,273	
Culture and Recreation	2,413,297	1,070,928	46,030	142,569	(1,153,770)		(1,153,770)	
Economic Development	357,637		5,750		(351,887)		(351,887)	
Employer's Contribution to Retirement Fund	872,920				(872,920)		(872,920)	
Interest on Long-Term Debt	596,817				(596,817)		(596,817)	
Total Governmental Activities	12,993,654	3,793,023	106,564	4,565,173	(4,528,894)	\$ 0	(4,528,894)	
<b>Business-Type Activities:</b>								
Electric	15,362,539	15,202,314				(160,225)	(160,225)	
Water	2,252,837	2,003,215				(249,622)	(249,622)	
Sewer	2,159,013	2,044,434				(114,579)	(114,579)	
Other Programs	1,260,499	1,355,608				95,109	95,109	
Total Business-Type Activities	21,034,888	20,605,571	0	0	0	(429,317)	(429,317)	
Total Primary Government	\$ 34,028,542	\$ 24,398,594	\$ 106,564	\$ 4,565,173	(4,528,894)	(429,317)	(4,958,211)	
<b>Component Unit</b>								
Industrial Development								\$ 0
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property Taxes, Levied for General Purposes					3,316,000		3,316,000	
Intergovernmental					6,055,981		6,055,981	
Gain on Disposal of Capital Assets					12,000		12,000	
Interest and Miscellaneous Income					292,770	478,032	770,802	3,308
Total General Revenues					9,676,751	478,032	10,154,783	3,308
Change in Net Position					5,147,857	48,715	5,196,572	3,308
Net Position Beginning - Restated					31,975,096	29,563,908	61,539,004	66,599
Net Position Ending					\$ 37,122,953	\$ 29,612,623	\$ 66,735,576	\$ 69,907

## CITY OF HIGHLAND, ILLINOIS

BALANCE SHEETS  
GOVERNMENTAL FUNDS  
APRIL 30, 2015

	PRIMARY GOVERNMENT						COMPONENT
	GENERAL CORPORATE	CITY PROPERTY REPLACEMENT	AMBULANCE	STREET IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	UNIT INDUSTRIAL DEVELOPMENT COMMISSION
<u>ASSETS</u>							
Cash and Investments	\$ 2,494,072	\$ 6,192,875	\$ 63,466	\$ 1,184,938	\$ 2,212,525	\$ 12,147,876	\$ 20,095
Receivables (Net, Where Applicable of Allowance for Uncollectibles):							
Property Taxes	1,198,021		429,986		1,913,712	3,541,719	
Replacement Tax Receivable	25,111		3,571		8,094	36,776	
Accounts Receivable	23,904		826,075			849,979	
Income Tax Receivable	196,444					196,444	
Sales Tax Receivable	384,871			197,850		582,721	
Other	74,203	9,594	16	338	36,412	120,563	52,596
Due from Other Fund	10,406	145,000				155,406	
Prepaid Expenses	47,106		1,171		196,198	244,475	
Restricted Cash					59,435	59,435	
<b>Total</b>	<b>\$ 4,454,138</b>	<b>\$ 6,347,469</b>	<b>\$ 1,324,285</b>	<b>\$ 1,383,126</b>	<b>\$ 4,426,376</b>	<b>\$ 17,935,394</b>	<b>\$ 72,691</b>
<u>LIABILITIES</u>							
Accounts Payable	\$ 411,734		\$ 18,266	\$ 268,184	\$ 140,666	\$ 838,850	
Accrued Salaries and Benefits	147,667		35,678		35,904	219,249	
Due to Other Fund	134,085				85,406	219,491	
<b>Total Liabilities</b>	<b>693,486</b>	<b>\$ 0</b>	<b>53,944</b>	<b>268,184</b>	<b>261,976</b>	<b>1,277,590</b>	<b>\$ 0</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable Property Taxes	1,198,021	0	429,986	0	1,913,712	3,541,719	0
<u>FUND BALANCES</u>							
Nonspendable	47,106		1,171		196,198	244,475	
Restricted	21,441				1,385,755	1,407,196	72,691
Assigned		6,347,469	839,184	1,114,942	780,731	9,082,326	
Unassigned	2,494,084				(111,996)	2,382,088	
<b>Total Fund Balances</b>	<b>2,562,631</b>	<b>6,347,469</b>	<b>840,355</b>	<b>1,114,942</b>	<b>2,250,688</b>	<b>13,116,085</b>	<b>72,691</b>
<b>Total</b>	<b>\$ 4,454,138</b>	<b>\$ 6,347,469</b>	<b>\$ 1,324,285</b>	<b>\$ 1,383,126</b>	<b>\$ 4,426,376</b>	<b>\$ 17,935,394</b>	<b>\$ 72,691</b>

The accompanying notes are an integral part of the financial statements.

CITY OF HIGHLAND, ILLINOIS

BALANCE SHEETS  
GOVERNMENTAL FUNDS  
APRIL 30, 2014

	PRIMARY GOVERNMENT						COMPONENT
	GENERAL CORPORATE	CITY PROPERTY REPLACEMENT	AMBULANCE	STREET IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	UNIT INDUSTRIAL DEVELOPMENT COMMISSION
<u>ASSETS</u>							
Cash and Investments	\$ 2,296,945	\$ 6,396,509	\$ 118,604	\$ 1,893,320	\$ 2,338,925	\$ 13,044,303	\$ 11,817
Receivables (Net, Where Applicable of Allowance for Uncollectibles):							
Property Taxes	1,230,656		437,492		1,583,201	3,251,349	
Replacement Tax Receivable	19,665		2,713		6,456	28,834	
Accounts Receivable	23,905		676,843			700,748	
Income Tax Receivable	178,821					178,821	
Sales Tax Receivable	377,731			194,831		572,562	
Other	73,381	9,701	180	283	68,903	152,448	58,090
Due from Other Fund	10,406	152,500				162,906	
Prepaid Expenses	73,775		3,632		199,958	277,365	
Restricted Cash					25,596	25,596	
<b>Total</b>	<b>\$ 4,285,285</b>	<b>\$ 6,558,710</b>	<b>\$ 1,239,464</b>	<b>\$ 2,088,434</b>	<b>\$ 4,223,039</b>	<b>\$ 18,394,932</b>	<b>\$ 69,907</b>
<u>LIABILITIES</u>							
Accounts Payable	\$ 197,771		\$ 17,237	\$ 66,109	\$ 12,930	\$ 294,047	
Accrued Salaries and Benefits	123,890		36,641		31,414	191,945	
Due to Other Fund	134,085			0	92,906	226,991	
<b>Total Liabilities</b>	<b>455,746</b>	<b>\$ 0</b>	<b>53,878</b>	<b>66,109</b>	<b>137,250</b>	<b>712,983</b>	<b>\$ 0</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable Property Taxes	1,230,656	0	437,492	0	1,583,201	3,251,349	0
<u>FUND BALANCES</u>							
Nonspendable	73,775		3,632		199,958	277,365	
Restricted	38,316				1,596,918	1,635,234	69,907
Assigned		6,558,710	744,462	2,022,325	823,034	10,148,531	
Unassigned	2,486,792				(117,322)	2,369,470	
<b>Total Fund Balances</b>	<b>2,598,883</b>	<b>6,558,710</b>	<b>748,094</b>	<b>2,022,325</b>	<b>2,502,588</b>	<b>14,430,600</b>	<b>69,907</b>
<b>Total</b>	<b>\$ 4,285,285</b>	<b>\$ 6,558,710</b>	<b>\$ 1,239,464</b>	<b>\$ 2,088,434</b>	<b>\$ 4,223,039</b>	<b>\$ 18,394,932</b>	<b>\$ 69,907</b>

The accompanying notes are an integral part of the financial statements.

## CITY OF HIGHLAND, ILLINOIS

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS  
TO THE STATEMENTS OF NET POSITION  
APRIL 30, 2015  
WITH COMPARATIVE AMOUNTS FOR APRIL 30, 2014

	2015	2014
Total fund balances for governmental funds	\$ 13,116,085	\$ 14,430,600
Total net position reported for governmental activities in the statements of net position is different because:		
Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 7,696,420	\$ 7,654,580
Construction in progress	7,796,503	3,864,140
Infrastructure, net of accumulated depreciation	18,531,755	19,479,328
Buildings and Improvements, net of accumulated depreciation	5,011,324	5,242,710
Other Improvements, net of accumulated depreciation	1,982,628	1,867,552
Equipment, net of accumulated depreciation	838,671	851,251
	41,857,301	38,959,561
Certain premiums paid on investments are not financial resources and therefore are not reported in the funds. Those premiums consist of:		
Bond premiums paid on certificates of deposit	733	923
Certain liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities (both current and long-term) are reported in the statement of net position. Those liabilities consist of:		
Accrued interest	\$ (713,804)	\$ (619,299)
Bonds and notes payable	(13,609,367)	(14,809,367)
Bond premium, net of accumulated amortization	(61,426)	(23,380)
Other post employment benefits	(232,877)	(189,755)
Compensated absences	(679,062)	(626,330)
	(15,296,536)	(16,268,131)
Total net position of governmental activities	\$ 39,677,583	\$ 37,122,953

The accompanying notes are an integral part of the financial statements.

CITY OF HIGHLAND, ILLINOIS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED APRIL 30, 2015

	PRIMARY GOVERNMENT						COMPONENT UNIT
	GENERAL CORPORATE	CITY PROPERTY REPLACEMENT	AMBULANCE	STREET IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	INDUSTRIAL DEVELOPMENT COMMISSION
Revenues:							
General Property Taxes	\$ 1,348,831		\$ 434,387		\$ 1,573,348	\$ 3,356,566	
Corporate Personal Property Replacement Taxes	124,977		15,892		45,687	186,556	
Intergovernmental	4,000,735		260,294	\$ 1,356,778	319,111	5,936,918	
Charges for Services	2,235,416		1,357,379		19,622	3,612,417	
Licenses, Permits and Other Taxes	273,768					273,768	
Fines and Forfeitures	26,048				4,128	30,176	
Revenue from Use of Property	89,559					89,559	
Grants	81,547			2,129,394	1,500	2,212,441	
Miscellaneous and Interest Income	154,452	\$ 83,759	35,899	6,556	51,165	331,831	\$ 2,784
Total Revenues	<u>8,335,333</u>	<u>83,759</u>	<u>2,103,851</u>	<u>3,492,728</u>	<u>2,014,561</u>	<u>16,030,232</u>	<u>2,784</u>
Expenditures:							
Current-							
General Government	1,151,686				394,047	1,545,733	
Public Safety	3,119,360		1,885,513			5,004,873	
Highways and Streets	884,904			15,443	265,410	1,165,757	
Culture and Recreation	1,819,554				350,000	2,169,554	
Economic Development	160,405				82,300	242,705	
Employer's Contribution to Retirement Fund					903,264	903,264	
Capital Outlay	1,398,307		226,077	3,022,171	123,148	4,769,703	
Debt Service Expenditures-							
Bond Issue Costs	56,063			75,075		131,138	
Other Debt Service Fees					200	200	
Principal Retirement	290,000			910,000		1,200,000	
Interest and Fixed Charges	78,885			175,022	112,863	366,770	
Total Expenditures	<u>8,959,164</u>	<u>0</u>	<u>2,111,590</u>	<u>4,197,711</u>	<u>2,231,232</u>	<u>17,499,697</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(623,831)</u>	<u>83,759</u>	<u>(7,739)</u>	<u>(704,983)</u>	<u>(216,671)</u>	<u>(1,469,465)</u>	<u>2,784</u>
Other Financing Sources (Uses):							
Proceeds from Sale of Capital Assets	4,950					4,950	
Operating Transfers in	788,629	506,000	250,000			1,544,629	
Operating Transfers out	(206,000)	(801,000)	(150,000)	(202,400)	(35,229)	(1,394,629)	
Total Other Financing Sources (Uses)	<u>587,579</u>	<u>(295,000)</u>	<u>100,000</u>	<u>(202,400)</u>	<u>(35,229)</u>	<u>154,950</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>(36,252)</u>	<u>(211,241)</u>	<u>92,261</u>	<u>(907,383)</u>	<u>(251,900)</u>	<u>(1,314,515)</u>	<u>2,784</u>
Fund Balance, Beginning of Year	<u>2,598,883</u>	<u>6,558,710</u>	<u>748,094</u>	<u>2,022,325</u>	<u>2,502,588</u>	<u>14,430,600</u>	<u>69,907</u>
Fund Balance, End of Year	<u>\$ 2,562,631</u>	<u>\$ 6,347,469</u>	<u>\$ 840,355</u>	<u>\$ 1,114,942</u>	<u>\$ 2,250,688</u>	<u>\$ 13,116,085</u>	<u>\$ 72,691</u>

CITY OF HIGHLAND, ILLINOIS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED APRIL 30, 2014

	PRIMARY GOVERNMENT						COMPONENT UNIT
	GENERAL CORPORATE	CITY PROPERTY REPLACEMENT	AMBULANCE	STREET IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	INDUSTRIAL DEVELOPMENT COMMISSION
Revenues:							
General Property Taxes	\$ 1,372,102		\$ 435,500		\$ 1,508,398	\$ 3,316,000	
Corporate Personal Property Replacement Taxes	118,435		15,014		43,998	177,447	
Intergovernmental	3,953,339		226,869	\$ 1,350,631	347,695	5,878,534	
Charges for Services	2,165,452		1,242,361		27,159	3,434,972	
Licenses, Permits and Other Taxes	235,720					235,720	
Fines and Forfeitures	32,500				3,287	35,787	
Revenue from Use of Property	86,544					86,544	
Grants	240,289			4,377,800	37,650	4,655,739	
Miscellaneous and Interest Income	117,476	\$ 108,357	12,176	14,151	56,605	308,765	\$ 3,308
Total Revenues	<u>8,321,857</u>	<u>108,357</u>	<u>1,931,920</u>	<u>5,742,582</u>	<u>2,024,792</u>	<u>18,129,508</u>	<u>3,308</u>
Expenditures:							
Current-							
General Government	1,021,093				347,687	1,368,780	
Public Safety	2,823,147		1,811,709			4,634,856	
Highways and Streets	902,141			28,778	248,280	1,179,199	
Culture and Recreation	1,740,578				360,594	2,101,172	
Economic Development	163,806				193,831	357,637	
Employer's Contribution to Retirement Fund					872,920	872,920	
Capital Outlay	1,389,589		152,989	2,562,557	86,471	4,191,606	
Debt Service Expenditures-							
Principal Retirement	330,000			935,000		1,265,000	
Interest and Fixed Charges	121,382			234,242	112,862	468,486	
Total Expenditures	<u>8,491,736</u>	<u>0</u>	<u>1,964,698</u>	<u>3,760,577</u>	<u>2,222,645</u>	<u>16,439,656</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(169,879)</u>	<u>108,357</u>	<u>(32,778)</u>	<u>1,982,005</u>	<u>(197,853)</u>	<u>1,689,852</u>	<u>3,308</u>
Other Financing Sources (Uses):							
Proceeds from Sale of Capital Assets	12,000					12,000	
Operating Transfers in	627,459	373,000	50,000			1,050,459	
Operating Transfers out	(373,000)	(565,000)			(112,459)	(1,050,459)	
Total Other Financing Sources (Uses)	<u>266,459</u>	<u>(192,000)</u>	<u>50,000</u>	<u>0</u>	<u>(112,459)</u>	<u>12,000</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>96,580</u>	<u>(83,643)</u>	<u>17,222</u>	<u>1,982,005</u>	<u>(310,312)</u>	<u>1,701,852</u>	<u>3,308</u>
Fund Balance, Beginning of Year	<u>2,502,303</u>	<u>6,642,353</u>	<u>730,872</u>	<u>40,320</u>	<u>2,812,900</u>	<u>12,728,748</u>	<u>66,599</u>
Fund Balance, End of Year	<u>\$ 2,598,883</u>	<u>\$ 6,558,710</u>	<u>\$ 748,094</u>	<u>\$ 2,022,325</u>	<u>\$ 2,502,588</u>	<u>\$ 14,430,600</u>	<u>\$ 69,907</u>

The accompanying notes are an integral part of the financial statements.

## CITY OF HIGHLAND, ILLINOIS

RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENTS OF ACTIVITIES  
 FOR THE YEAR ENDED APRIL 30, 2015  
 WITH COMPARATIVE AMOUNTS FOR APRIL 30, 2014

	<u>2015</u>	<u>2014</u>
Net change in fund balances - total governmental funds	\$ (1,314,515)	\$ 1,701,852
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation expense in the current period.	2,897,740	2,379,618
In the governmental funds, bond and CD premiums are amortized over the life of the bonds and this amortization reduces the amount of interest expense recorded on the bonds. This amount represents the net effect of the amortization of bond and CD premiums.	(38,236)	1,906
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(147,237)	(164,960)
Other post employment benefits is a liability held by the City that is not due and payable in the current period and accordingly, is not reported as a liability in governmental funds.	(43,122)	(35,559)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	<u>1,200,000</u>	<u>1,265,000</u>
Change in net position of governmental activities	<u>\$ 2,554,630</u>	<u>\$ 5,147,857</u>

## CITY OF HIGHLAND, ILLINOIS

BALANCE SHEETS  
ENTERPRISE FUNDS  
APRIL 30, 2015

<u>ASSETS</u>	LIGHT AND POWER	WATER	SEWER	SOLID WASTE	TOTALS
Current Assets:					
Cash and Investments	\$ 4,063,998	\$ 2,747,546	\$ 3,321,491	\$ 344,068	\$ 10,477,103
Receivables:					
Accounts	523,904	57,770	76,624	88,573	746,871
Due from Other Funds	64,085				64,085
Unbilled Revenue	898,028	147,112	155,160	109,701	1,310,001
Other Receivable	6,406	4,250	5,166	533	16,355
Other Current Assets	132,408	30,109	27,695		190,212
Total Current Assets	<u>5,688,829</u>	<u>2,986,787</u>	<u>3,586,136</u>	<u>542,875</u>	<u>12,804,627</u>
Restricted Assets:					
Cash and Investments	63,870				63,870
Capital Assets (Net of Accumulated Depreciation)	24,335,909	6,697,220	5,630,500		36,663,629
Total Noncurrent Assets	<u>24,399,779</u>	<u>6,697,220</u>	<u>5,630,500</u>	<u>0</u>	<u>36,727,499</u>
Total Assets	<u>\$ 30,088,608</u>	<u>\$ 9,684,007</u>	<u>\$ 9,216,636</u>	<u>\$ 542,875</u>	<u>\$ 49,532,126</u>
<u>LIABILITIES AND NET POSITION</u>					
Current Liabilities (Payable from Current Assets):					
Accounts Payable	\$ 1,052,853	\$ 49,425	\$ 613,704	\$ 121,083	\$ 1,837,065
Accrued Interest Payable			13,595		13,595
Current Portion Notes Payable			416,891		416,891
Current Portion Maintenance Agreement Payable		50,828			50,828
Accrued Salaries and Benefits	67,170	25,576	20,608		113,354
Premium on Revenue Bonds	1,142		24,380		25,522
Total Current Liabilities (Payable from Current Assets)	<u>1,121,165</u>	<u>125,829</u>	<u>1,089,178</u>	<u>121,083</u>	<u>2,457,255</u>
Current Liabilities (Payable from Restricted Assets):					
Customer Deposits	66,254				66,254
Current Portion Revenue Bonds	825,000		110,000		935,000
Accrued Interest on Revenue Bonds	201,596				201,596
Total Current Liabilities (Payable from Restricted Assets)	<u>1,092,850</u>	<u>0</u>	<u>110,000</u>	<u>0</u>	<u>1,202,850</u>
Long-Term Liabilities:					
Revenue Bonds (Net of Current Portion)	12,210,000		2,570,000		14,780,000
Notes Payable (Net of Current Portion)			870,542		870,542
Maintenance Agreement Payable (Net of Current Portion)		203,320			203,320
Compensated Absences	255,807	97,932	56,929		410,668
Other Post Employment Benefits Payable	60,487	30,244	21,171		111,902
Total Long-Term Liabilities	<u>12,526,294</u>	<u>331,496</u>	<u>3,518,642</u>	<u>0</u>	<u>16,376,432</u>
Total Liabilities	<u>14,740,309</u>	<u>457,325</u>	<u>4,717,820</u>	<u>121,083</u>	<u>20,036,537</u>
Net Position:					
Net Investment in Capital Assets, Net of Related Debt	11,300,909	6,443,072	1,663,067		19,407,048
Restricted For Long Term Debt	63,870				63,870
Unrestricted	3,983,520	2,783,610	2,835,749	421,792	10,024,671
Total Net Position	<u>15,348,299</u>	<u>9,226,682</u>	<u>4,498,816</u>	<u>421,792</u>	<u>29,495,589</u>
Total Liabilities and Net Position	<u>\$ 30,088,608</u>	<u>\$ 9,684,007</u>	<u>\$ 9,216,636</u>	<u>\$ 542,875</u>	<u>\$ 49,532,126</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HIGHLAND, ILLINOIS

BALANCE SHEETS  
ENTERPRISE FUNDS  
APRIL 30, 2014

<u>ASSETS</u>	LIGHT AND POWER	WATER	SEWER	SOLID WASTE	TOTALS
Current Assets:					
Cash and Investments	\$ 4,355,154	\$ 2,549,289	\$ 4,303,294	\$ 278,217	\$ 11,485,954
Receivables:					
Accounts	711,643	67,080	84,536	75,071	938,330
Due from Other Funds	64,085				64,085
Unbilled Revenue	850,931	144,792	150,436	94,375	1,240,534
Other Receivable	7,000	3,867	6,528	422	17,817
Other Current Assets	139,746	41,378	43,725	565	225,414
Total Current Assets	<u>6,128,559</u>	<u>2,806,406</u>	<u>4,588,519</u>	<u>448,650</u>	<u>13,972,134</u>
Restricted Assets:					
Cash and Investments	259,770				259,770
Fixed Assets (Net of Accumulated Depreciation)	24,479,157	7,028,698	4,610,631		36,118,486
Total Noncurrent Assets	<u>24,738,927</u>	<u>7,028,698</u>	<u>4,610,631</u>	<u>0</u>	<u>36,378,256</u>
Total Assets	<u>\$ 30,867,486</u>	<u>\$ 9,835,104</u>	<u>\$ 9,199,150</u>	<u>\$ 448,650</u>	<u>\$ 50,350,390</u>
<u>LIABILITIES AND NET POSITION</u>					
Current Liabilities (Payable from Current Assets):					
Accounts Payable	\$ 920,343	\$ 39,850	\$ 124,191	\$ 114,537	\$ 1,198,921
Accrued Interest Payable			57,284		57,284
Current Portion Note Payable			405,099		405,099
Current Portion Maintenance Agreement Payable		50,828			50,828
Accrued Salaries and Benefits	61,670	22,090	18,913		102,673
Premium on Revenue Bonds	2,662		25,698		28,360
Total Current Liabilities (Payable from Current Assets)	<u>984,675</u>	<u>112,768</u>	<u>631,185</u>	<u>114,537</u>	<u>1,843,165</u>
Current Liabilities (Payable from Restricted Assets):					
Customer Deposits	57,924				57,924
Current Portion Revenue Bonds	810,000		65,000		875,000
Accrued Interest on Revenue Bonds	211,120				211,120
Total Current Liabilities (Payable from Restricted Assets)	<u>1,079,044</u>	<u>0</u>	<u>65,000</u>	<u>0</u>	<u>1,144,044</u>
Long-Term Liabilities:					
Revenue Bonds (Net of Current Portion)	13,035,000		2,680,000		15,715,000
Note Payable (Net of Current Portion)			1,287,433		1,287,433
Maintenance Agreement Payable (Net of Current Portion)		254,149			254,149
Compensated Absences	256,430	81,411	64,954		402,795
Other Post Employment Benefits Payable	49,287	24,644	17,250		91,181
Total Long-Term Liabilities	<u>13,340,717</u>	<u>360,204</u>	<u>4,049,637</u>	<u>0</u>	<u>17,750,558</u>
Total Liabilities	<u>15,404,436</u>	<u>472,972</u>	<u>4,745,822</u>	<u>114,537</u>	<u>20,737,767</u>
Net Position:					
Net Investment in Capital Assets, Net of Related Debt	10,634,157	6,723,721	173,099		17,530,977
Restricted for Long Term Debt	259,770				259,770
Unrestricted	4,569,123	2,638,411	4,280,229	334,113	11,821,876
Total Net Position	<u>15,463,050</u>	<u>9,362,132</u>	<u>4,453,328</u>	<u>334,113</u>	<u>29,612,623</u>
Total Liabilities and Net Position	<u>\$ 30,867,486</u>	<u>\$ 9,835,104</u>	<u>\$ 9,199,150</u>	<u>\$ 448,650</u>	<u>\$ 50,350,390</u>

The accompanying notes are an integral part of the financial statements.

## CITY OF HIGHLAND, ILLINOIS

STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED APRIL 30, 2015

	LIGHT AND POWER	WATER	SEWER	SOLID WASTE	TOTALS
Operating Revenues:					
Charges for Services	\$ 15,254,775	\$ 1,951,684	\$ 2,067,118	\$ 1,523,309	\$ 20,796,886
Connection Fees	11,503	20,006	15,516		47,025
Total Operating Revenues	<u>15,266,278</u>	<u>1,971,690</u>	<u>2,082,634</u>	<u>1,523,309</u>	<u>20,843,911</u>
Operating Expenses:					
Personnel Services	1,515,398	814,234	614,308		2,943,940
Contractual Services	2,281,615	371,576	484,992	1,436,705	4,574,888
Purchase Power (Less Generating Capacity Credit)	9,040,759				9,040,759
Supplies and Materials	254,855	261,776	121,313	2,658	640,602
Utilities	99,160	112,591	4,696		216,447
Depreciation and Amortization	1,664,989	633,582	722,511		3,021,082
Total Operating Expenses	<u>14,856,776</u>	<u>2,193,759</u>	<u>1,947,820</u>	<u>1,439,363</u>	<u>20,437,718</u>
Operating Income (Loss)	<u>409,502</u>	<u>(222,069)</u>	<u>134,814</u>	<u>83,946</u>	<u>406,193</u>
Non-Operating Revenues (Expenses):					
Interest Income	58,094	35,628	21,932	3,733	119,387
Miscellaneous	190,513	34,716	2,046		227,275
Gain on Sale of Asset		16,275	17,500		33,775
Interest Expense	(622,318)		(130,654)		(752,972)
Service Charges	(542)		(150)		(692)
Total Non-Operating Revenues (Expenses)	<u>(374,253)</u>	<u>86,619</u>	<u>(89,326)</u>	<u>3,733</u>	<u>(373,227)</u>
Income (Loss) Before Operating Transfers	35,249	(135,450)	45,488	87,679	32,966
Operating Transfers:					
Transfers out	(150,000)				(150,000)
Total Operating Transfers	<u>(150,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(150,000)</u>
Increase (Decrease) in Net Position	(114,751)	(135,450)	45,488	87,679	(117,034)
Total Net Position, Beginning of Year	<u>15,463,050</u>	<u>9,362,132</u>	<u>4,453,328</u>	<u>334,113</u>	<u>29,612,623</u>
Total Net Position, End of Year	<u>\$ 15,348,299</u>	<u>\$ 9,226,682</u>	<u>\$ 4,498,816</u>	<u>\$ 421,792</u>	<u>\$ 29,495,589</u>

The accompanying notes are an integral part of the financial statements.

## CITY OF HIGHLAND, ILLINOIS

STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED APRIL 30, 2014

	LIGHT AND POWER	WATER	SEWER	SOLID WASTE	TOTALS
Operating Revenues:					
Charges for Services	\$ 15,178,300	\$ 1,986,365	\$ 2,005,539	\$ 1,355,608	\$ 20,525,812
Connection Fees	24,014	16,850	38,895		79,759
Total Operating Revenues	<u>15,202,314</u>	<u>2,003,215</u>	<u>2,044,434</u>	<u>1,355,608</u>	<u>20,605,571</u>
Operating Expenses:					
Personnel Services	1,455,127	800,580	624,218		2,879,925
Contractual Services	2,012,063	351,673	512,475	1,260,499	4,136,710
Purchase Power (Less Generating Capacity Credit)	9,263,325				9,263,325
Supplies and Materials	164,059	215,060	123,350		502,469
Utilities	111,323	133,723	3,620		248,666
Bond Issue Costs			66,871		66,871
Depreciation and Amortization - Restated	1,705,833	751,801	724,217		3,181,851
Total Operating Expenses	<u>14,711,730</u>	<u>2,252,837</u>	<u>2,054,751</u>	<u>1,260,499</u>	<u>20,279,817</u>
Operating Income (Loss)	<u>490,584</u>	<u>(249,622)</u>	<u>(10,317)</u>	<u>95,109</u>	<u>325,754</u>
Non-Operating Revenues (Expenses):					
Interest Income	88,201	42,581	33,946	5,163	169,891
Miscellaneous	239,600	65,948	2,593		308,141
Interest Expense	(650,067)		(104,262)		(754,329)
Service Charges	(742)				(742)
Total Non-Operating Revenues (Expenses)	<u>(323,008)</u>	<u>108,529</u>	<u>(67,723)</u>	<u>5,163</u>	<u>(277,039)</u>
Increase (Decrease) in Net Position	167,576	(141,093)	(78,040)	100,272	48,715
Total Net Position, Beginning of Year - Restated	<u>15,295,474</u>	<u>9,503,225</u>	<u>4,531,368</u>	<u>233,841</u>	<u>29,563,908</u>
Total Net Position, End of Year	<u>\$ 15,463,050</u>	<u>\$ 9,362,132</u>	<u>\$ 4,453,328</u>	<u>\$ 334,113</u>	<u>\$ 29,612,623</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HIGHLAND, ILLINOIS  
STATEMENTS OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED APRIL 30, 2015

	LIGHT AND POWER	WATER	SEWER	SOLID WASTE	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received from Customers	\$ 15,613,101	\$ 2,024,665	\$ 2,103,898	\$ 1,501,027	\$ 21,242,691
Cash Payments for Goods and Services	(11,543,879)	(736,368)	(121,638)	(1,438,798)	(13,840,683)
Cash Payments to Employees	(1,499,321)	(788,627)	(616,717)		(2,904,665)
Net Cash Provided by Operating Activities	<u>2,569,901</u>	<u>499,670</u>	<u>1,365,543</u>	<u>62,229</u>	<u>4,497,343</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Repayments of Loans from Other Funds	(150,000)				(150,000)
Net Cash Used by Non-Capital Financing Activities	<u>(150,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(150,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Interest Paid	(633,904)		(174,343)		(808,247)
Payments for Capital Acquisitions	(1,521,741)	(302,104)	(1,742,380)		(3,566,225)
Proceeds from Sale of Assets		16,275	17,500		33,775
Repayments of Loans	(810,000)	(50,829)	(470,099)		(1,330,928)
Amortization of Bond Premium			(1,318)		(1,318)
Net Cash Used by Capital and Related Financing Activities	<u>(2,965,645)</u>	<u>(336,658)</u>	<u>(2,370,640)</u>	<u>0</u>	<u>(5,672,943)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Receipts of Interest	58,688	35,245	23,294	3,622	120,849
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(487,056)	198,257	(981,803)	65,851	(1,204,751)
CASH AND INVESTMENTS, BEGINNING OF YEAR	4,614,924	2,549,289	4,303,294	278,217	11,745,724
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 4,127,868</u>	<u>\$ 2,747,546</u>	<u>\$ 3,321,491</u>	<u>\$ 344,068</u>	<u>\$ 10,540,973</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ 409,502	\$ (222,069)	\$ 134,814	\$ 83,946	\$ 406,193
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Depreciation and Amortization Expense	1,664,989	633,582	722,511		3,021,082
Miscellaneous Revenues	190,513	34,716	2,046		227,275
Service Charges			(150)		(150)
Increase (Decrease) in Accounts Receivables	187,739	9,310	7,912	(13,502)	191,459
Increase in Unbilled Revenue	(47,097)	(2,320)	(4,724)	(15,326)	(69,467)
Increase in Prepaid Expenses	7,338	11,269	16,030	565	35,202
Increase in Accounts Payable	132,510	9,575	489,513	6,546	638,144
Increase in Accrued Salaries and Benefits	5,500	3,486	1,695		10,681
Increase (Decrease) in Compensated Absences	(623)	16,521	(8,025)		7,873
Increase in Customer Deposits	8,330				8,330
Increase in Other Post Employment Benefits	11,200	5,600	3,921		20,721
Total Adjustments	<u>2,160,399</u>	<u>721,739</u>	<u>1,230,729</u>	<u>(21,717)</u>	<u>4,091,150</u>
Net Cash Provided by Operating Activities	<u>\$ 2,569,901</u>	<u>\$ 499,670</u>	<u>\$ 1,365,543</u>	<u>\$ 62,229</u>	<u>\$ 4,497,343</u>

CITY OF HIGHLAND, ILLINOIS  
STATEMENTS OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED APRIL 30, 2014

	LIGHT AND POWER	WATER	SEWER	SOLID WASTE	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received from Customers	\$ 15,312,074	\$ 2,073,578	\$ 1,987,789	\$ 1,418,995	\$ 20,792,436
Cash Payments for Goods and Services	(10,846,183)	(730,153)	(681,229)	(1,340,499)	(13,598,064)
Cash Payments to Employees	(1,399,328)	(773,284)	(613,006)		(2,785,618)
Net Cash Provided by Operating Activities	<u>3,066,563</u>	<u>570,141</u>	<u>693,554</u>	<u>78,496</u>	<u>4,408,754</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Repayment of Loans from Other Funds	2,853			0	2,853
Net Cash Provided by Non-Capital Financing Activities	<u>2,853</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,853</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Interest Paid	(661,442)		(56,808)		(718,250)
Payments for Capital Acquisitions	(1,407,863)	(48,344)	(294,598)		(1,750,805)
Repayments of Loans	(775,000)	(133,001)	(393,641)		(1,301,642)
Bond Premium			25,698		25,698
Proceeds from Revenue Bonds			2,745,000		2,745,000
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,844,305)</u>	<u>(181,345)</u>	<u>2,025,651</u>	<u>0</u>	<u>(999,999)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Receipts of Interest	92,998	44,580	31,722	5,280	174,580
NET INCREASE IN CASH AND INVESTMENTS	318,109	433,376	2,750,927	83,776	3,586,188
CASH AND INVESTMENTS, BEGINNING OF YEAR	4,296,815	2,115,913	1,552,367	194,441	8,159,536
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 4,614,924</u>	<u>\$ 2,549,289</u>	<u>\$ 4,303,294</u>	<u>\$ 278,217</u>	<u>\$ 11,745,724</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ 490,584	\$ (249,622)	\$ (10,317)	\$ 95,109	\$ 325,754
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation and Amortization Expense	1,705,833	751,801	724,217		3,181,851
Miscellaneous Revenues	239,600	65,948	2,593		308,141
Increase in Accounts Receivables	(178,125)	(6,536)	(33,911)	(31,418)	(249,990)
Decrease (Increase) in Unbilled Revenue	46,684	10,951	(25,327)	(18,793)	13,515
Increase in Prepaid Expenses	(2,202)	(1,282)	(3,262)		(6,746)
Increase (Decrease) in Accounts Payable	706,789	(28,415)	28,349	113,598	820,321
Decrease in Deposits Payable				(80,000)	(80,000)
Increase in Accrued Salaries and Benefits	14,028	3,092	2,887		20,007
Increase in Compensated Absences	26,162	11,347	2,862		40,371
Increase in Customer Deposits	1,601				1,601
Increase in Other Post Employment Benefits	15,609	12,857	5,463		33,929
Total Adjustments	<u>2,575,979</u>	<u>819,763</u>	<u>703,871</u>	<u>(16,613)</u>	<u>4,083,000</u>
Net Cash Provided by Operating Activities	<u>\$ 3,066,563</u>	<u>\$ 570,141</u>	<u>\$ 693,554</u>	<u>\$ 78,496</u>	<u>\$ 4,408,754</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HIGHLAND, ILLINOIS  
 STATEMENTS OF NET POSITION  
 FIDUCIARY FUND

		POLICEMEN'S PENSION TRUST FUND APRIL 30,	
<u>ASSETS</u>		2015	2014
Cash		\$ 1,874,124	\$ 453,389
Receivables:			
Property Taxes, Current Year Levy		427,496	409,807
Interest Receivable		29,586	32,927
Total Receivables		<u>457,082</u>	<u>442,734</u>
Investments:			
Certificates of Deposit and Interest Bearing Accounts		2,198,234	2,899,441
Municipal Bonds		1,611,117	1,567,369
Mutual Funds		4,227,702	4,496,583
Total Investments		<u>8,037,053</u>	<u>8,963,393</u>
Other Assets		<u>80,664</u>	<u>93,008</u>
Total Assets		<u>\$ 10,448,923</u>	<u>\$ 9,952,524</u>
<u>LIABILITIES</u>			
Accounts Payable		<u>\$ 826</u>	
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Property Taxes		<u>427,496</u>	<u>\$ 409,807</u>
<u>NET POSITION</u>			
Net Position Held in Trust for Pension Benefits and Other Purposes		<u>10,020,601</u>	<u>9,542,717</u>
Total Liabilities, Deferred Inflows of Resources and Net Position		<u>\$ 10,448,923</u>	<u>\$ 9,952,524</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HIGHLAND, ILLINOISSTATEMENTS OF CHANGES IN NET POSITION  
FIDUCIARY FUND

	POLICEMEN'S PENSION TRUST FUND YEARS ENDED APRIL 30,	
	2015	2014
Additions:		
General Property Taxes:		
Real Estate	\$ 406,898	\$ 397,387
Intergovernmental:		
Corporate Personal Property Replacement Tax	6,900	6,900
Miscellaneous:		
Interest	75,664	84,205
Employee Contributions	192,790	175,973
Net Realized/Unrealized Appreciation (Depreciation) of Investments	498,904	628,615
Total Additions	<u>1,181,156</u>	<u>1,293,080</u>
Deductions:		
Benefit Payments	684,160	536,509
Administration	3,944	3,944
Amortization	15,168	12,392
Total Deductions	<u>703,272</u>	<u>552,845</u>
Increase in Net Position	477,884	740,235
Net Position, Beginning of Year	<u>9,542,717</u>	<u>8,802,482</u>
Net Position, End of Year	<u>\$ 10,020,601</u>	<u>\$ 9,542,717</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HIGHLAND, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The City of Highland, Illinois, was incorporated April 4, 1884. The City is a non-home rule unit and operates under a managerial council form of government. Under this form of government the City council is legislative, except that it is empowered to approve all expenses and liabilities, and the manager is the administrative and executive head of government.

The accounting policies of the City of Highland conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

(a) Principles Used to Determine Scope of Entity

The City's reporting entity includes the City's governing board and all related organizations for which the City exercises significant influence.

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the City exercises significant influence (which includes financial benefit or burden, appoints a voting majority, ability to significantly impose its will, and fiscal independence).

The City has determined that a component unit exists as of April 30, 2013. The Industrial Development Commission (IDC) was established by the City Council pursuant to the authority conferred by Section 11-74-4(8) of the Industrial Project Revenue Act (65 ILCS 5/11-74-4(8)) by Ordinance #2365 adopted and approved on July 6, 2009. The IDC meets monthly and makes recommendations about economic development decisions to the City Council. The IDC is a discretely presented component unit.

(b) Basis of Accounting and Financial Statement Presentation

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

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's funds are grouped into three broad fund categories and six generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The City also has one fiduciary agency fund.

CITY OF HIGHLAND, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the City and the primary government, as a whole, excluding fiduciary activities such as employee pension plans. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net position should be reported as restricted when constraints placed on the net position's use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from special revenue funds and the restrictions on its net position use.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The City reports the following major governmental funds:

General Fund - The government's primary operating fund. This fund is used to account for and report all financial resources not accounted for or reported in another fund.

Special Revenue - Ambulance - The fund that accounts for proceeds of specific revenue sources (other than those for major capital projects) that are restricted or committed to expenditure for the specified purposes of providing ambulance services.

CITY OF HIGHLAND, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND FINANCIAL STATEMENTS (CONTINUED)

Capital Projects - City Property Replacement - This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities (other than those financed by proprietary funds and trust funds).

Capital Projects - Street Improvement - This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of major street and infrastructure improvements.

The City reports the following major proprietary funds:

Light and Power Fund - This fund operates the electrical distribution system and includes the fiber-optic system that provides high-speed internet, television, and telephone services to customers in Highland.

Water Fund - This fund operates the water distribution system.

Sewer Fund - This fund operates the sewer treatment plant, sewage pumping stations, and collection systems.

Solid Waste Fund - This fund operates the collection of solid waste pickup.

GOVERNMENTAL FUNDS

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. The length of time to define available is 60 days or less. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available. This concept includes investment earnings, fines and forfeitures, and state-levied locally shared taxes (including motor vehicle fees).

Property taxes and special assessments (in the debt service funds), though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax and special assessment receivables are recorded and offset with a deferred inflow of resources until they become available.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

CITY OF HIGHLAND, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUNDS (CONTINUED)

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, is recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. They report charges for services and connection fees as operating revenues, and items such as interest income, grants, and other miscellaneous items as non-operating revenues. The economic resource focus determines costs as a means of maintaining capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds, and unbilled utility receivables are recorded at each year end.

FIDUCIARY FUNDS

The City currently has one fiduciary fund. The Policemen's Pension Trust Fund is used to account for pension assets held by the City in a trustee capacity. This fund is accounted for and reported in a manner similar to proprietary funds since capital maintenance is critical.

(c) Vacation and Sick Leave

Vacation leave is accrued for full-time employees, temporary employees, and supervisors of the City at the rate of one average work week per year upon completion of the first year of continuous service. These employees are granted two average work weeks per year following completion of the second year of continuous service through the sixth year. For the seventh through the eleventh year, three average work weeks are earned per year. From the twelfth through the twentieth year, four average work weeks are earned per year and five average work weeks per year are earned following the twentieth year and thereafter. Sick leave is accrued for full-time City employees at the rate of 13 days a year. These employees can accumulate 30 days of vested sick pay and an additional 60 days of non-vested sick pay. Terminated employees are compensated for sick leave up to 30 days. The City does not accrue the additional 60 days of sick pay, representing \$647,296 of benefits, which are non-vesting. However, for the accrued vacation and vested sick pay days, the City is liable in the approximate amount of \$679,062 for payments to qualified employees of the governmental activities and \$410,668 for payments to qualified employees of the business-type activities.

CITY OF HIGHLAND, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Cash and Investments

The City maintains an investment pool that is available for use by all funds, except those of certain special revenue and agency funds. The City maintains a separate accounting of each fund's balance in the pool. Additionally, the City participates in the Illinois Fund. Investment income earned on pooled investments is distributed to the appropriate funds based on the average daily balance of the investments in each fund.

Investments are stated at fair value. Fair value for investments is determined by closing market prices at year-end as reported by the investment custodian. Fair value for the Illinois Funds is the same as the value of fund shares.

All cash and investments of the proprietary funds are considered highly liquid, as these funds participate in the City's investment pool. Consequently, these are considered to be cash and cash equivalents for cash flow purposes.

Restricted cash on the financial statements represents cash for customer deposits, street bonds, fiber bonds, electric bonds, and TIF bonds.

(e) Governmental Receivables

Long-term receivables due to governmental funds are reported on the balance sheets, in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources", since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables. The City has determined that an allowance for uncollectible receivables is not needed based on prior years' collections.

(f) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(g) Debt Premiums, Discounts, and Issuance Costs

On the government-wide statement of net position and the proprietary fund statement of net position, debt premiums and discounts are shown separately from debt payable, and debt issuance costs are recognized as an outflow of resources in the period incurred. In addition, unamortized debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

At the government fund reporting level, debt premiums and discounts are reported as inflows or outflows of resources in the period incurred.

CITY OF HIGHLAND, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Budgets and Budgetary Accounting

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

1. During the first quarter of the calendar year, the City Manager submits to the City Council a proposed budget for the year commencing May 1 of that year. Expenditures, interest, payroll, claims, and compensated absences are budgeted to the extent anticipated to be paid in cash.
2. Public hearings are conducted to obtain taxpayer comments.
3. On April 21, 2014 the budget ordinance was legally enacted. The budget ordinance was legally amended on December 15, 2014 and April 20, 2015.
4. The operating budget for the major governmental and special revenue funds is reflected in the financial statements.
5. The formal budget is adopted and used as a management control device during the year for the general fund, special revenue funds, capital project funds, debt service funds, enterprise funds and pension and nonexpendable trust funds. Budgetary control is at the total individual fund level and is alternatively achieved through bond indenture provisions for the debt service funds. This allows the City Manager and the finance department to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures/expenses of any individual fund, by more than 10% must be approved by the City Council.
6. The City files with the county an annual budget ordinance which is the legally required document that levies a tax on the owners of property located in the City. All appropriations lapse at year end. The budget is the legal document that limits the spending capacity by fund of the City for its services and operations.

(i) Net Position

Net position is calculated by taking assets plus deferred outflows of resources less liabilities and deferred inflows of resources. The portion of net position that is titled "Invested in Capital Assets, Net of Related Debt" is capital assets less accumulated depreciation and outstanding debt related to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on its use by City legislation or external restrictions by other governments, creditors, or grantors. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

(j) Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF HIGHLAND, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in government-wide statements. Infrastructure such as streets, traffic signals and signs are capitalized in the government-wide statements. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated fixed assets are reported at their fair market value as of the date received. The City maintains a capitalization threshold of \$15,000.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the general capital assets.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings - 20 to 50 years; improvements/infrastructure - 5 to 50 years; equipment - 3 to 25 years.

(l) Governmental Fund Balances

The City elected to implement GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the fiscal year ended April 30, 2012. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. The City had no committed fund balances on April 30, 2015 and 2014.

Assigned – Amounts that are constrained by an intent to be used for specific purposes but are neither restricted nor committed. The City Council has designated the City Manager and Finance Director the authority to make assignments.

Unassigned – All amounts not included in other spendable classifications.

For the classification of fund balance, the City requires restricted amounts to be spent first when both restricted and unrestricted fund balances are available unless there are legal documents or contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balances, followed by assigned fund balances and then unassigned fund balances when more than one classification for unrestricted fund balances are available.

CITY OF HIGHLAND, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative notes to the financial statements have not been presented since their inclusion would make the notes to the financial statements unduly complex and difficult to read.

NOTE 2. CHANGES IN ACCOUNTING PRINCIPLES

During the fiscal year ended April 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statements No. 63 and 65. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption or acquisition of net assets applicable to a future reporting period. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, deferred inflows of resources, outflows of resources, and inflows of resources. Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. GASB Statement No. 65 provides that guidance.

(a) Prior Period Adjustments

Due to the changes in accounting principles described above, beginning net position as of April 30, 2014, has been decreased by \$569,416 for governmental activities from \$32,544,512 to \$31,975,096. Beginning net position has been decreased by \$433,683 for business-type activities from \$29,997,591 to \$29,563,908.

The differences mentioned above represent a restatement of net position for bond issue costs that were amortized under prior standards but expensed in the period incurred under the new standards.

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 3. CASH AND INVESTMENTS

Cash and investments as of April 30, 2015, including fiduciary funds, are classified in the accompanying financial statements as follows:

	Primary Government	Component Unit
Total Cash	\$ 10,510,467	\$ 20,095
Total Investments	22,148,994	
Total	\$ 32,659,461	\$ 20,095

Cash includes \$850 of cash on-hand and \$10,509,617 of deposits with financial institutions for the primary government and \$20,095 deposited in a financial institution for the component unit.

The City may invest in any type of security allowed by Illinois Law (Public Funds Investment Act of the State of Illinois: 30 ILCS 235/1 et. Seq. as amended). The summary of the allowable instruments are: Passbook Savings Account; NOW, Super NOW, and Money Market Accounts; Commercial Paper – issuer must be a U.S. corporation with more than \$500,000,000 in assets, rating must be within 3 highest qualifications by 2 standard rating services, must mature within 180 days of purchase, and such purchase cannot exceed 10% of the corporation’s outstanding obligations, State treasurer’s investment pool; Money Market Mutual Funds – registered under the Investment Company Act of 1940, provided the portfolio is limited to bonds, notes, certificates, treasury bills, or other securities which are guaranteed by the federal government as to principal or interest; Repurchase Agreement – collateralized by full faith in credit U.S. Treasury securities; Certificates of deposit and time deposits, constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the FDIC, legally issuable by savings and loan associates incorporated under the laws of the State of Illinois or any other state or under the laws of the United States and only in those savings and loan associations insured by SAIF, bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest, obligations of United States government agencies which are guaranteed by the full faith and credit of the United States government, short-term discount obligations of the Federal National Mortgage Association, insured account of credit unions whose principal office is in Illinois, various tax-exempt securities, and Illinois liquid assets.

The City’s Police Pension Fund is regulated by the Illinois Department of Insurance – Public Pension Division. The Police Pension Fund may invest assets in treasury bills, treasury notes and bonds, bank loan deposits, the state investment pool, zero coupon bonds, guaranteed investment contracts, mutual funds containing stocks, bonds, money market instruments and real estate, mortgage pass-through securities, State of Illinois bonds, tax anticipation warrants, and credit union investments.

When permitted by law, the City will pool cash from several different funds that are accounted for in the City's annual financial report to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

CITY OF HIGHLAND, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2015

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

The primary objectives, in priority order, of investment activity shall be safety, liquidity, and yield. Investments shall be made with judgment and care, under circumstances then prevailing, with persons of prudence, discretion, and intelligence who exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. City officials and employees shall disclose to the City any material financial interest in financial institutions that conduct business with the City, and they shall further disclose any large personal financial or investment positions that could be related to the performance of the City's portfolio. The City Treasurer, financial officers and others employed in a similar capacity shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of their entity.

Authority to manage the investment program is granted to the Director of Finance and derived from the following: 65 ILCS 5/3.1-35-50 and the City of Highland Code by Resolution No. 99-12-1304.

Third party safekeeping is required for all collateral and for all securities. Safekeeping will be documented by an approved written agreement. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement, or custody agreement.

Any financial institution selected by the City shall provide normal banking services, including, but not limited to: checking accounts, wire transfers, purchase and sale of United States Treasury securities, and safekeeping services.

The City will not maintain funds in any financial institution that is not a member of the FDIC or SAIF system. In addition, the City will not maintain funds in any institution not willing to or capable of posting required collateral for funds in excess of FDIC or SAIF insurable limits.

Fees for banking services shall be mutually agreed to by an authorized representative of the depository bank and the Director of Finance in consultation with the City Manager and shall not be agreed to for any period exceeding three (3) years. Fees for services shall be substantiated by a monthly account analysis and shall be reimbursed by means of compensating balances.

All financial institutions acting as a depository for the City must enter into a "Depository Agreement". All financial institutions and brokers/dealers who desire to become qualified bidders for investment transactions must supply the following upon request by the Director of Finance or an agent of the Director of Finance: audited financial statements, proof of National Association of Securities Dealers (NASD) certification, proof of state registration, completed broker/dealer questionnaire, and certification of having read the City's investment policy.

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

(a) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity date will have a greater sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flow from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments to market rate fluctuations is provided in the following table. As of April 30, 2015 the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Months)			
		12 Months or Less	13-36 Months	37-60 Months	> 60 Months
Illinois Funds	\$ 3,569,980	\$ 3,569,980			
Bonds	1,611,117		\$ 106,110	\$ 394,409	\$ 1,110,598
Mutual Funds	4,235,111	4,235,111			
Certificates of Deposit	12,732,786	1,583,877	4,964,925	5,983,984	200,000
Total	\$ 22,148,994	\$ 9,388,968	\$ 5,071,035	\$ 6,378,393	\$ 1,310,598

(b) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's state investment pool has earned Standard and Poor's highest rating (AAAm). The Policemen's Pension Trust Fund can also invest in stocks, bonds, and mutual funds. The mutual funds held by the Policemen's Pension Trust Fund are not rated for credit risk. The City's bond holdings of the Policemen's Pension Trust Fund have earned at least Standard and Poor's "A-" rating.

(c) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. All deposits are carried at cost plus accrued interest.

The City's investment in the state investment pool is fully collateralized. The City maintains a separate investment account representing a proportionate share of the pool assets and respective collateral; therefore no collateral is identified with each individual participant's account. As of April 30, 2015, the balance in the City's state investment pool was \$3,569,980.

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

(c) Custodial Credit Risk (Continued)

The City's cash deposits, including the fiduciary fund, at April 30, 2015 consisted of the following:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 14,263,213
Collateralized:	
Held by pledging bank's trust department in the City's name	9,153,678
Uncollateralized	99,000
Total Deposits	<u>\$ 23,515,891</u>

(d) Concentrations of Credit Risk

The City's investment policy limits the amount of funds deposited and/or invested in a financial institution. Deposits/investments shall not exceed 65% of a capital stock and surplus of such institution unless collateral security has been pledged, in which case the amount of such deposits and/or investments shall not exceed 75%.

Investments in any one issuer that represent 5% or more of the total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FCB Highland Bank	Certificates of Deposit	\$ 1,288,924

NOTE 4. RISK MANAGEMENT

The City of Highland is exposed to risks of loss from normal items typically applicable to all municipalities. These include liability, worker's injury, property damage and other risks that are too numerous to mention. To reduce the City's risk of loss from damages and claims, the City has purchased commercial insurance from the Illinois Counties Risk Management Trust, which provides insurance coverage for property and liability claims for over 200 Illinois municipalities. Settlement claims have not exceeded insurance coverage for each of the past three fiscal years.

NOTE 5. PROPERTY TAXES

The City's property tax is levied each year on all taxable real property located in the City on or before the last Tuesday in December. The 2014 levy was passed by the Council on December 15, 2014. Property taxes attach as an enforceable lien on property as of January 1, and are payable in four installments for 2015: July 9, September 9, October 9, and December 9. The County has not mailed tax bills as of April 30, 2015. The City receives significant distributions of tax receipts approximately one month after the bills are mailed by the County. In conjunction with NCGA Interpretation #3, revenue is accrued in the year of the levy to the extent that it is due to be paid by the taxpayer by April 30, 2015 and is expected to be collected soon enough after April 30, 2015 to be used to pay liabilities by June 30, 2015 (60 days or less) and has been budgeted for the current year.

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 5. PROPERTY TAXES (CONTINUED)

The following are the tax rates applicable to the various levies per \$100 of assessed valuation:

	MAXIMUM LEVY	2014	2013	2012	2011	2010	2009	2008
General Government	.3330	0.3220	.3330	.3312	.3330	.3330	.3330	.3330
Police Protection	.0750	0.0726	.0750	.0746	.0750	.0750	.0750	.0750
Fire Protection	.0750	0.0726	.0750	.0746	.0750	.0750	.0750	.0750
Playground & Rec	.0900	0.0871	.0900	.0895	.0900	.0900	.0900	.0900
Band	.0400	0.0259	.0259	.0254	.0257	.0252	.0247	.0239
Social Security		0.2587	.2099	.2040	.1994	.2055	.1933	.1933
Retirement		0.2756	.2212	.2150	.2021	.2007	.1668	.1510
Liability Insurance		0.1294	.1673	.1627	.1611	.1241	.0874	.0874
Crossing Guards	.0200	0.0068	.0069	.0067	.0069	.0057	.0085	.0085
Audit		0.0096	.0100	.0100	.0110	.0108	.0149	.0149
Municipal Ambulance	.2500	0.2418	.2481	.2411	.2389	.2302	.2204	.2304
Community Building	.0750	0.0726	.0750	.0746	.0750	.0750	.0750	.0750
Police Pension		0.2404	.2324	.2200	.1826	.1627	.1883	.1331
Library	.1500	0.1451	.1500	.1492	.1500	.1500	.1500	.1500
Library Liability Ins.		0.0175	.0176	.0193	.0170	.0229	.0175	.0174
Public Comfort Station	.0333	0.0141	.0171	.0124	.0126	.0124	.0122	.0121
<b>TOTAL</b>		<u>1.9918</u>	<u>1.9544</u>	<u>1.9103</u>	<u>1.8553</u>	<u>1.7982</u>	<u>1.7320</u>	<u>1.6700</u>

The City has established two tax increment financing (TIF) districts to encourage development within the redevelopment project areas and to enhance the value of those properties. In connection with the agreements of the redevelopment project areas, the real estate taxes, which relate to the incremental increase in property values within the redevelopment project areas, are paid directly to the TIF districts for investing in redevelopment projects within the TIF districts.

CITY OF HIGHLAND, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2015

NOTE 6. CAPITAL ASSETS

Summary of capital assets for governmental activities for the year ended April 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Not Being Depreciated:				
Land	\$ 7,654,580	\$ 41,840		\$ 7,696,420
Construction in Progress	3,864,140	4,142,960	\$ (210,597)	7,796,503
Subtotal	11,518,720	4,184,800	(210,597)	15,492,923
<b>Other Capital Assets:</b>				
Buildings and Improvements	11,189,023	16,704		11,205,727
Improvements	4,056,671	351,396		4,408,067
Equipment	5,267,431	305,596	(25,871)	5,547,156
Infrastructure	54,703,094	121,804		54,824,898
Subtotal	75,216,219	795,500	(25,871)	75,985,848
<b>Accumulated Depreciation:</b>				
Buildings and Improvements	5,946,313	248,090		6,194,403
Improvements	2,189,119	236,320		2,425,439
Equipment	4,416,180	318,176	(25,871)	4,708,485
Infrastructure	35,223,766	1,069,377		36,293,143
Subtotal	47,775,378	1,871,963	(25,871)	49,621,470
Net Other Capital Assets	27,440,841	(1,076,463)	0	26,364,378
Net Capital Assets	\$ 38,959,561	\$ 3,108,337	\$ (210,597)	\$ 41,857,301

Depreciation was charged to functions as follows:

<b>Governmental Activities:</b>	
General Government	\$ 111,698
Public Safety	205,030
Highways and Streets	1,242,500
Culture and Recreation	312,735
Total Governmental Activities Depreciation Expense	<u>\$ 1,871,963</u>

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 6. CAPITAL ASSETS (CONTINUED)

Summary of capital assets for business-type activities for the year ended April 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Not Being Depreciated				
Land	\$ 765,667			\$ 765,667
Construction in Progress	485,575	\$ 2,121,361	\$ (251,674)	2,355,262
Subtotal	1,251,242	2,121,361	(251,674)	3,120,929
<b>Other Capital Assets:</b>				
Buildings	19,864,781			19,864,781
Lines	33,682,568	1,318,354		35,000,922
Equipment	12,072,245	206,025	(122,676)	12,155,594
Other Improvements	12,309,872	172,159		12,482,031
Interconnect	5,672,510			5,672,510
Subtotal	83,601,976	1,696,538	(122,676)	85,175,838
<b>Accumulated Depreciation:</b>				
Buildings	14,909,842	615,704		15,525,546
Lines	17,317,550	1,003,173		18,320,723
Equipment	8,940,420	660,042	(122,676)	9,477,786
Other Improvements	5,797,895	555,277		6,353,172
Interconnect	1,769,025	186,886		1,955,911
Subtotal	48,734,732	3,021,082	(122,676)	51,633,138
Net Other Capital Assets	34,867,244	(1,324,544)	0	33,542,700
Net Capital Assets	\$ 36,118,486	\$ 796,817	\$ (251,674)	\$ 36,663,629

Depreciation was charged to functions as follows:

Business-Type Activities:

Light and Power	\$ 1,664,989
Water	633,582
Sewer	722,511
	<u>\$ 3,021,082</u>

CITY OF HIGHLAND, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2015

NOTE 7. LONG-TERM OBLIGATIONS

The following is a summary of transactions for long-term liabilities of the City for the year ended April 30, 2015:

	April 30, 2014	Additions	Reductions	April 30, 2015	Due Within One Year
<b>Governmental Activities:</b>					
Revenue Bonds	\$ 14,809,367	\$ 7,215,000	\$ (8,415,000)	\$ 13,609,367	\$ 1,690,000
Compensated Absences	626,330	52,732		679,062	
Other Post Employment Benefits	189,755	43,122		232,877	
Long-Term Accrued Interest	506,228	143,501		649,729	
Long-Term Liabilities	<u>\$ 16,131,680</u>	<u>\$ 7,454,355</u>	<u>\$ (8,415,000)</u>	<u>\$ 15,171,035</u>	<u>\$ 1,690,000</u>
<b>Business-Type Activities</b>					
Revenue Bonds	\$ 16,590,000		\$ (875,000)	\$ 15,715,000	\$ 935,000
Notes Payable	1,692,532		(405,099)	1,287,433	416,891
Maintenance Agreements	304,977		(50,829)	254,148	50,828
Compensated Absences	402,795	\$ 7,873		410,668	
Other Post Employment Benefits	91,181	20,721		111,902	
Long-Term Liabilities	<u>\$ 19,081,485</u>	<u>\$ 28,594</u>	<u>\$ (1,330,928)</u>	<u>\$ 17,779,151</u>	<u>\$ 1,402,719</u>

Revenue bonds and notes payable at April 30, 2015 were comprised of the following individual issuances:

Revenue Bonds

Governmental Activities:

The City issued bonds for the purchase of the Korte Recreation Center Facility on December 18, 2003 from the Highland Area Community Foundation. The total bond principal amount is \$5,395,000, of which \$895,000 is attributable to bond issue costs. The bonds were being repaid in semi-annual installments representing interest at variable rates of 2.5% to 4.375% and annual principal installments beginning October 1, 2005. The maturity date of the Series 2003 Bonds was October 1, 2020. These bonds were refinanced on August 4, 2014.

\$ 0

The Korte Recreation Facility bonds were refinanced on August 4, 2014. The total bond principal amount is \$2,595,000. The bonds are being repaid in semi-annual installments representing interest at variable rates of .45% to 2.10% and annual principal installments beginning April 1, 2015. The maturity dates of these refinanced bonds is October 1, 2020. Total interest due on remaining balance is \$120,406.

2,475,000

2007 street alternate bonds due in annual installments of \$450,000 to \$1,160,000 through January 2019, with interest at 3.875% to 3.9%. Revenue bonds were issued for future improvements to the City's streets. These bonds were refinanced on August 4, 2014.

0

The 2007 street alternate bonds were refinanced on August 4, 2014. The total bond principal amount is \$4,620,000. The bonds are being repaid in semi-annual installments representing interest at variable rates of .40% to 2.00% and annual principal payments beginning January 1, 2015. Total interest due on remaining balance is \$158,040.

4,185,000

2010 street alternate bonds due in annual installments of \$211,156 to \$381,787 through January 2030, interest compounding at 3.70% to 4.95% with first payment due January 2020. Revenue bonds were issued for future improvements to the City's streets. Total interest due on remaining balance is \$2,690,633.

3,199,367

Revenue bonds due in annual installments of \$175,000 to \$280,000 through January 2032 with average interest rate of 3.2%. The City issued bonds in 2012 to fund infrastructure improvements and reimburse certain redevelopment costs for the new hospital built in the City's TIF District #2. Total interest remaining \$1,182,763.

3,750,000

Total Revenue Bonds - Governmental Activities

\$ 13,609,367

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 7. LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds

Business-Type Activities:

2006 Electric system alternate bonds due in annual installments, of \$510,000 to \$960,000 through January 2016, interest at 3.75% to 4.00%. Revenue bonds were issued for future improvements to the City's electric system. Total interest due on remaining balance is \$20,400. \$ 510,000

2010 Electric system revenue bonds due in various semi-annual installments. These bonds have an increasing interest rate from 1.5% upon issue to 6% in 2029. Revenue bonds were issued to raise funding for the City's Fiber-To-The-Premises Project. The total bond principal amount is \$8,985,000, of which \$353,376 is attributable to bond issue costs. The maturity date of the Series 2010 Bonds is January 1, 2032. Total interest due on the remaining balance is \$4,619,370. 8,300,000

2012 Electric system revenue bonds due in various semi-annual installments. These bonds have an increasing interest rate from 2.0% upon issue to 4.1% in 2032. Revenue bonds were issued to increase funding for the City's Fiber-To-The-Premises Project. The total bond principal amount is \$4,225,000 of which \$128,913 is attributable to bond issue costs. The maturity date of the Series 2012 Bonds is January 1, 2032. The total interest due on the remaining balance is \$1,614,800 4,225,000

2013 Sewerage system revenue bonds due in various semi-annual installments. These bonds have an increasing interest rate from 2.50% upon issue to 4.25% in 2033. Revenue bonds were issued to increase funding for the improvements to the sewer system. The total principal amount of the bonds is \$2,745,000, of which \$65,200 is attributable to bond issue costs. The maturity date of the bonds is October 1, 2033. The total interest due on the remaining balance is \$1,024,488. 2,680,000

Total Revenue Bonds - Business-Type Activities \$ 15,715,000

Notes Payable

Business-Type Activities:

In 1999, the City secured a low interest loan with the Illinois Environmental Protection Agency which funded the construction of the Water Reclamation Facility. The total loan amount was \$6,516,341 and is being repaid in semi-annual installments over a 20 year period at 2.89% interest. Total interest due on the remaining balance is \$65,890. \$ 1,287,433

Details of maintenance agreements payable at April 30, 2015 were as follows:

Maintenance Agreements Payable

In 2010, the City contracted a private company to renovate and maintain the 1,000,000 gallon water storage tank at Silver Lake Park. The total amount of the zero-interest contract is \$508,290. The final payment on the contract is due September 2019. 254,148

Total Maintenance Agreements Payable \$ 254,148

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 7. LONG-TERM OBLIGATIONS (CONTINUED)

The annual debt service requirements for long-term debt on April 30, 2015 were as follows:

YEAR ENDING APRIL 30	REVENUE BONDS PAYABLE	NOTES PAYABLE	MAINTENANCE AGREEMENTS PAYABLE	INTEREST	TOTAL PRINCIPAL & INTEREST
2016	\$ 2,625,000	\$ 416,891	\$ 50,828	\$ 943,044	\$ 4,035,763
2017	2,445,000	429,027	50,830	869,011	3,793,868
2018	2,495,000	441,515	50,830	804,447	3,791,792
2019	2,085,000		50,830	748,000	2,883,830
2020	1,761,787		50,830	852,668	2,665,285
2021-2025	7,316,034			3,916,299	11,232,333
2026-2030	7,431,546			3,121,689	10,553,235
2031-2034	3,165,000			241,632	3,406,632
Total	<u>\$ 29,324,367</u>	<u>\$ 1,287,433</u>	<u>\$ 254,148</u>	<u>\$ 11,496,790</u>	<u>\$ 42,362,738</u>

There are a number of limitations and restrictions contained in the various bond indentures.  
 The City was in compliance with all significant limitations and restrictions.

NOTE 8. RETIREMENT FUND COMMITMENTS

(a) Illinois Municipal Retirement Fund

Plan Description

The City of Highland's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The employer plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information (RSI). That report may be obtained online at [www.imrf.org](http://www.imrf.org).

Funding Policy

As set by statute, the City's Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2014 was 11.69%. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

The required contribution for calendar year 2014 was \$718,901.

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

<u>Calendar Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2014	\$ 718,901	100%	\$ 0
12/31/2013	725,802	100%	0
12/31/2012	661,154	100%	0

The required contribution for 2014 was determined as part of the December 31, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City Regular plan's unfunded actuarial accrued liability at December 31, 2012 is being amortized as a level percentage of projected payroll on an open 29 year basis.

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the Regular plan was 79.41% funded. The actuarial accrued liability for benefits was \$17,385,783 and the actuarial value of assets was \$13,805,607, resulting in an underfunded actuarial accrued liability (UAAL) of \$3,580,176. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$6,149,708 and the ratio of the UAAL to the covered payroll was 58%.

(b) Sheriff's Law Enforcement Personnel Plan

Plan Description

In addition to the regular IMRF plan, one employee participated in the Sheriff Law Enforcement Personnel plan (SLEP). All contact information is the same as the above regular IMRF plan.

Funding Policy

As set by statute, the City's Sheriffs Law Enforcement Personnel plan members are required to contribute 7.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual required contribution rate for calendar year 2014 was 13.75%. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

The required contribution for calendar year 2014 was \$6,579.

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2014	\$ 6,579	100%	\$ 0
12/31/2013	6,875	100%	0
12/31/2012	4,573	100%	0

The required contribution for 2014 was determined as part of the December 31, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012, included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the City's Sheriff's Law Enforcement Personnel plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City's Sheriff's Law Enforcement Personnel plan's unfunded actuarial accrued liability at December 31, 2012 is being amortized as a level percentage of projected payroll on an open 29 year basis.

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the Sheriff's Law Enforcement Personnel Plan was 96.84% funded. The actuarial accrued liability for benefits was \$117,519 and the actuarial value of assets was \$113,807, resulting in an underfunded actuarial accrued liability (UAAL) of \$3,712. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$0, and the ratio of the UAAL to the covered payroll was 0%.

For both the Regular and SLEP plans, the schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(c) Social Security

All City employees are covered under Social Security. The City paid \$617,681 for social security taxes, the total required contribution for the current fiscal year.

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

(d) Police Pension

(1) Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single employer pension plan. Although this is a single employer pension plan, the defined benefits and employee and employer contributions level are governed by Illinois Compiled Statutes (Chapter 40 ILCS 5/3) and may be amended only by the Illinois Legislature. The City accounts for the plan as a pension trust fund. The current actuarial values presented were provided by the Illinois Department of Financial and Professional Regulation, Division of Insurance, for the year ended April 30, 2014. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2015 was \$1,456,344 out of a total payroll of \$8,976,280. At April 30, 2015, the Police Pension Plan membership consisted of:

Retirees and Beneficiaries

Currently Receiving Benefits and Terminated Employees Entitled to Benefits but Not Yet Receiving Them	<u>12</u>
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Current Employees

Vested	10
Non-vested	<u>8</u>
Total	<u>18</u>

The following is a summary of the Police Pension Plan as provided for in Illinois Compiled Statutes. The Police Pension Plan provides retirement benefits as well as death and disability benefits. A police officer age 50 or more with 20 or more years of creditable service, who is not a participant in the self-managed plan under Section 3-109.1 and who is no longer in service as a police officer, shall receive a pension of one-half of the salary attached to the rank held by the officer on the police force for one year immediately prior to retirement or, beginning July 1, 1987 for persons terminating service on or after that date, the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years of service through 30 years of service, to a maximum of 75% of such salary. The changes made to this subsection (a) by this amendatory Act of the 91<sup>st</sup> General Assembly apply to all pensions that become payable under this subsection on or after January 1, 1999. All pensions payable under this subsection that began on or after January 1, 1999 and before the effective date of this amendatory Act shall be recalculated, and the amount of the increase accruing for that period shall be payable to the pensioner in a lump sum.

A police officer who retires or is separated from service having at least 8 years but less than 20 years of creditable service, who is not mandatorily retired due to age by operation of law, and who does not apply for a refund of contributions at his or her last separation from police service, shall receive a pension upon attaining age 60 equal to 2.5% of the salary attached to the rank held by the police officer on the police force for one year immediately prior to retirement or, beginning July 1, 1987 for persons terminating service on or after that date, the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater, for each year of creditable service.

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

The monthly pension of a police officer who retires after January 1, 1986, shall be increased, upon either the first of the month following the first anniversary of the date of retirement if the officer is 55 years of age or over, or upon the first day of the month following attainment of age 55 if it occurs after the first anniversary of retirement, by 1/12 of 3% of the originally granted pension for each full month that has elapsed since the pension began, and by an additional 3% of the originally granted pension in January of each year thereafter.

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
4/30/2014	\$ 434,304	100%	\$ 0
4/30/2013	416,590	100%	0
4/30/2012	405,857	100%	0

Covered employees through December 31, 2000, are required to contribute 9% of their base salary to the Police Pension Plan. Effective, January 1, 2001, required contributions are raised to 9.91% of base salary. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. As of May 1, 2014, the Police Pension Plan was 69% funded. By the year 2033, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

(2) Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments

Fixed-income securities are reported at amortized cost with discounts or premiums amortized using the effective interest rate method, subject to adjustment for market declines judged to be other than temporary (lower of cost or market). Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date. Equity securities are reported at fair value.

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

(3) Funding Status and Progress

The amount shown as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the system on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

(4) Actuarially Determined Contribution Requirement and Contribution Made

Police Pension

Significant actuarial assumptions used in determining the pension benefit obligation as of April 30, 2015 include:

	<u>Actuarial Assumption</u>
Funding Method Used	Projected Unit Credit
Amortization Method	Normal cost, plus an additional amount (determined as a level percentage of payroll) to bring the plan's funded ratio to 90% by the end of fiscal year 2040
Interest Rate Assumption	6.5%
Mortality Rate Assumption	RP-2000 Combined Healthy Mortality, with Blue Collar Adjustment
Salary Progression Assumption	Service related table with rates grading from 11% to 4% at 30 years of service
Status Of Social Security In Assumption	None

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 9. INTERFUND ACTIVITY

Interfund balances exist on the governmental and proprietary fund financial statements and represents amounts loaned among the funds that are expected to be repaid within the next year. Interfund balances between governmental funds and interfund balances between proprietary funds have been eliminated in the government-wide statement of net position. Interfund balances at April 30, 2015, consisted of the following:

Due To	Due From	Amount
General Corporate Fund	Other Governmental Funds	\$ 10,406
City Property Replacement Fund	General Corporate Fund	70,000
City Property Replacement Fund	Other Governmental Funds	75,000
Light and Power Fund	General Corporate Fund	64,085

Interfund transfers exist due to the allocation of general administrative expenses among the funds and to provide funding for the economic development fund. The transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers for the year ended April 30, 2015, consisted of the following:

		Transfer From:						
		General Corporate	City Property Replacement	Ambulance	Street Improvement	Other Governmental Funds	Light And Power	Total
Transfer To:	General Corporate		\$ 551,000		\$ 202,400	\$ 35,229		\$ 788,629
	City Property Replacement	\$ 206,000		\$ 150,000			\$ 150,000	506,000
	Ambulance		250,000					250,000
	Total	<u>\$ 206,000</u>	<u>\$ 801,000</u>	<u>\$ 150,000</u>	<u>\$ 202,400</u>	<u>\$ 35,229</u>	<u>\$ 150,000</u>	<u>\$ 1,544,629</u>

NOTE 10. NOTES RECEIVABLE

The following is a summary of long-term receivable transactions of the City for the year ended April 30, 2015:

	COMPONENT UNIT
Balance on April 30, 2014	\$ 58,090
Additions	
Reductions	(5,494)
Balance on April 30, 2015	<u>\$ 52,596</u>

McLaughlin's Entertainment, LLC

In August 2012, the component unit entered into a \$65,000, 5% note receivable with McLaughlin's Entertainment, LLC. Monthly principal and interest payments of \$689 are due at the end of each month until maturity in December 2022. \$ 52,596

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 11. OTHER POST EMPLOYMENT BENEFITS

The City allows for retired employees to purchase medical, pharmacy, and dental insurance through the City's single employer, group plans. This constitutes an other post employment benefit (OPEB) provided to the employees. These benefits are governed by the City Council and can be amended through the City's personnel manual and union contracts. The OPEB plan does not issue a standalone financial report and is not included in the report of another entity. The City has adopted GASB 45 requirements related to OPEB disclosures.

(a) Benefits Provided

Retirees and their spouses or surviving spouses are eligible to purchase medical, pharmacy and dental benefits at the City's group rates. Although retirees pay 100% of the cost of the group premiums the City in effect subsidizes a portion of their insurance costs by allowing them on the group plan. Eligible employees must be least 55 years of age with 20 years service or 60 years of age with 8 year of service for all departments other than the police. Police department retirees must be 50 years of age with 20 years of service or 60 years of age with 8 years of service. Retirees and their spouses may only receive these benefits until reaching the age of 65. The 2015 Actuarial Valuation reported 107 active employees and 10 retirees for OPEB calculations for fiscal year April 30, 2015.

(b) Annual OPEB Costs and Net OPEB Obligation

The City had an actuarial valuation performed as of May 1, 2013 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ending April 30, 2015. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending May 1, 2013 are shown below. 2010 was the first year for which a valuation was performed. These figures were updated for April 30, 2015 based on the 2013 valuation and are included below.

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Expense</u>	<u>Percentage of Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
April 30, 2013	\$80,097	52.4%	\$210,864
April 30, 2014	\$102,072	31.4%	\$280,936
April 30, 2015	\$100,843	36.7%	\$344,779

The net OPEB obligation as of April 30, 2015 was as follows:

Annual Required Contribution	\$ 105,769
Interest On Net OPEB Obligation	9,833
Adjustment To Annual Required Contribution	<u>(14,759)</u>
Annual OPEB Expense	100,843
Contributions Made (Implicit)	(37,000)
Estimated Annual Employer Contribution	<u>0</u>
Change In Net OPEB Obligation	63,843
Net OPEB Obligation As of 4/30/14	280,936
Net OPEB Obligation As of 4/30/15	<u><u>\$ 344,779</u></u>

CITY OF HIGHLAND, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2015

NOTE 11. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

(c) Funded Status and Funding Progress

As of April 30, 2013, the date of the most recent actuarial valuation, the actuarial accrued liability for benefits was \$1,029,199. The annual covered payroll was approximately \$7,571,590, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.6%.

(d) Actuarial Methods and Assumptions.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Other key actuarial assumptions include:

Discount Rate		3.5%
Trend - Immediate		8.0%
Trend - Ultimate		6.0%
Funding Method	Projected Unit Credit	
Amortization	30 - Year Open, Level Dollar	

GASB 45 stipulates that the discount rate should reflect the long-term rate of return expected to be earned on the assets backing the liability. As the City does not expect to fund the liability through a retiree health care trust, the discount rate reflects the long-term rate of investment return expected to be earned on assets in its general fund.

NOTE 12. LEGAL DEBT MARGIN

The legal debt margin for the City of Highland was \$15,337,586 for general obligation debts. The computation was as follows:

Assessed Valuation as of April 30, 2015		\$ 177,827,085
Statutory Debt Limitation (8.625% of Assessed Valuation)		\$ 15,337,586
Less: General Obligation Debt		0
Legal Debt Margin		\$ 15,337,586

The total general obligation debt for the City of Highland at April 30, 2015 was \$0.

CITY OF HIGHLAND, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2015

NOTE 13. EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS IN INDIVIDUAL FUNDS

As of April 30, 2015, the City's expenses exceeded budgeted appropriations in the following funds:

Fund	Amount
TIF #1	\$ 39,877
Liability Insurance Fund	29,107

NOTE 14. GOVERNMENTAL FUND BALANCES

As of April 30, 2015, governmental fund balances are classified as follows:

	General Corporate Fund	City Property Replacement Fund	Ambulance Fund	Street Improvement Fund	Other Governmental Funds	Totals
Nonspendable:						
Prepaid Expenses	\$ 47,106		\$ 1,171		\$ 196,198	\$ 244,475
Total Nonspendable	47,106	\$ 0	1,171	\$ 0	196,198	244,475
Restricted for:						
Audit Fees					26,776	26,776
Cemetery Operations and Maintenance					694,259	694,259
Economic Development					183,692	183,692
Fire Protection	9,624					9,624
Highways and Streets					424,597	424,597
Debt Service					56,431	56,431
Municipal Band	1,986					1,986
School Crossing Guard	9,831					9,831
Total Restricted	21,441	0	0	0	1,385,755	1,407,196
Assigned, Reported in:						
Special Revenue Funds			839,184		780,731	1,619,915
Capital Projects Funds		6,347,469		1,114,942		7,462,411
Total Assigned	0	6,347,469	839,184	1,114,942	780,731	9,082,326
Unassigned	2,494,084	0	0	0	(111,996)	2,382,088
TOTAL FUND BALANCES	\$ 2,562,631	\$ 6,347,469	\$ 840,355	\$ 1,114,942	\$ 2,250,688	\$ 13,116,085

CITY OF HIGHLAND, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED APRIL 30, 2015

NOTE 15. DEFICIT FUND BALANCES

The following individual nonmajor funds reported deficit fund balances on April 30, 2015:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Cemetery Land Replacement	\$ 52,792
Library Special Projects	18,240
Library Endowment	40,964
Total Deficit Fund Balance	<u>\$ 111,996</u>

NOTE 16. SUBSEQUENT EVENTS

The effects of subsequent events on the financial statements have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

CITY OF HIGHLAND, ILLINOIS  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
MAJOR GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED APRIL 30, 2015 AND 2014

	GENERAL CORPORATE FUND					
	APRIL 30, 2015			APRIL 30, 2014		
	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis	Actual Amounts GAAP Basis
Original Budget	Final Budget					
Revenues:						
General Property Taxes	\$ 1,364,601	\$ 1,364,601	\$ 1,348,831		\$ 1,348,831	\$ 1,372,102
Corporate Personal Property Taxes	96,393	96,393	124,977		124,977	118,435
Intergovernmental	3,849,000	3,849,000	4,000,735		4,000,735	3,953,339
Charges for Current Services	2,103,990	2,103,990	2,235,416		2,235,416	2,165,452
Licenses and Permits	233,550	256,550	273,768		273,768	235,720
Fines and Forfeitures	32,000	32,000	26,048		26,048	32,500
Revenue from Use of Property	87,200	87,200	89,559		89,559	86,544
Miscellaneous, Grants, and Interest	1,103,000	1,203,000	235,999		235,999	357,765
Total Revenues	<u>8,869,734</u>	<u>8,992,734</u>	<u>8,335,333</u>	\$ 0	<u>8,335,333</u>	<u>8,321,857</u>
Expenditures:						
General Government	986,405	1,219,880	1,123,063	28,623	1,151,686	1,021,093
Public Safety	2,870,004	3,121,504	3,050,686	68,674	3,119,360	2,823,147
Highways and Streets	1,078,550	1,155,550	845,749	39,155	884,904	902,141
Economic Development	144,200	229,200	169,687	(9,282)	160,405	163,806
Culture and Recreation	1,701,905	1,738,905	1,649,727	169,827	1,819,554	1,740,578
Capital Outlay	1,694,375	1,694,375	1,398,307		1,398,307	1,389,589
Bond Issue Costs	0	57,000	56,063		56,063	0
Principal Debt Retirement	345,000	345,000	290,000		290,000	330,000
Interest and Fixed Charges on Debt	108,454	108,454	78,885		78,885	121,382
Total Expenditures	<u>8,928,893</u>	<u>9,669,868</u>	<u>8,662,167</u>	<u>296,997</u>	<u>8,959,164</u>	<u>8,491,736</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(59,159)</u>	<u>(677,134)</u>	<u>(326,834)</u>	<u>(296,997)</u>	<u>(623,831)</u>	<u>(169,879)</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Capital Assets					4,950	12,000
Operating Transfers in	915,954	915,954	788,629		788,629	627,459
Operating Transfers out	<u>(853,254)</u>	<u>(853,254)</u>	<u>(206,000)</u>		<u>(206,000)</u>	<u>(373,000)</u>
Total Other Financing Sources (Uses)	<u>62,700</u>	<u>62,700</u>	<u>582,629</u>	<u>0</u>	<u>587,579</u>	<u>266,459</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ 3,541</u>	<u>\$ (614,434)</u>	<u>\$ 255,795</u>	<u>\$ (296,997)</u>	<u>(36,252)</u>	<u>96,580</u>
Fund Balance, Beginning of Year					<u>2,598,883</u>	<u>2,502,303</u>
Fund Balance, End of Year					<u>\$ 2,562,631</u>	<u>\$ 2,598,883</u>
The City budgets for claims and compensated absences only to the extent expected to be paid, rather than on the modified accrual basis					\$ 60,049	\$ 10,564
The City budgets for expenditures to the extent anticipated to be paid in cash, rather than on the modified accrual basis					213,959	(397,540)
The City budgets for payroll to the extent anticipated to be paid in cash, rather than on the modified accrual basis					<u>22,989</u>	<u>4,440</u>
					<u>\$ 296,997</u>	<u>\$ (382,536)</u>

CITY OF HIGHLAND, ILLINOIS  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
MAJOR GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED APRIL 30, 2015 AND 2014

	CITY PROPERTY REPLACEMENT FUND					
	APRIL 30, 2015			APRIL 30, 2014		
	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts	Actual Amounts
Original Budget	Final Budget	Budgetary Basis	Differences Over (Under)	GAAP Basis	GAAP Basis	GAAP Basis
Revenues:						
Miscellaneous and Interest	\$ 107,215	\$ 107,215	\$ 83,759		\$ 83,759	\$ 108,357
Total Revenues	<u>107,215</u>	<u>107,215</u>	<u>83,759</u>	<u>\$ 0</u>	<u>83,759</u>	<u>108,357</u>
Expenditures						
Capital Outlay						
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>107,215</u>	<u>107,215</u>	<u>83,759</u>	<u>0</u>	<u>83,759</u>	<u>108,357</u>
Other Financing Sources (Uses):						
Operating Transfers in	324,800	324,800	506,000		506,000	373,000
Operating Transfers out	<u>(165,000)</u>	<u>(415,000)</u>	<u>(801,000)</u>		<u>(801,000)</u>	<u>(565,000)</u>
Total Other Financing Sources (Uses)	159,800	(90,200)	(295,000)	0	(295,000)	(192,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ 267,015</u>	<u>\$ 17,015</u>	<u>\$ (211,241)</u>	<u>\$ 0</u>	(211,241)	(83,643)
Fund Balance, Beginning of Year					6,558,710	6,642,353
Fund Balance, End of Year					<u>\$ 6,347,469</u>	<u>\$ 6,558,710</u>

CITY OF HIGHLAND, ILLINOIS  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
MAJOR GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED APRIL 30, 2015 AND 2014

	AMBULANCE FUND					
	APRIL 30, 2015			APRIL 30, 2014		
	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP	Actual Amounts GAAP Basis	Actual Amounts GAAP Basis
Original Budget	Final Budget	Differences Over (Under)				
Revenues:						
General Property Taxes	\$ 437,376	\$ 437,376	\$ 434,387		\$ 434,387	\$ 435,500
Replacement Taxes	12,169	12,169	15,892		15,892	15,014
Intergovernmental	260,294	260,294	260,294		260,294	226,869
Charges for Services	1,200,000	1,200,000	1,357,379		1,357,379	1,242,361
Miscellaneous and Interest	6,500	6,500	35,899		35,899	12,176
Total Revenues	<u>1,916,339</u>	<u>1,916,339</u>	<u>2,103,851</u>	<u>\$ 0</u>	<u>2,103,851</u>	<u>1,931,920</u>
Expenditures						
Public Safety	1,814,290	1,950,290	1,896,190	(10,677)	1,885,513	1,811,709
Capital Outlay	47,000	217,000	226,077		226,077	152,989
Total Expenditures	<u>1,861,290</u>	<u>2,167,290</u>	<u>2,122,267</u>	<u>(10,677)</u>	<u>2,111,590</u>	<u>1,964,698</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>55,049</u>	<u>(250,951)</u>	<u>(18,416)</u>	<u>10,677</u>	<u>(7,739)</u>	<u>(32,778)</u>
Other Financing Sources (Uses):						
Operating Transfers in		250,000	250,000		250,000	50,000
Operating Transfers out	(55,000)	(55,000)	(150,000)		(150,000)	
Total Other Financing Sources (Uses)	<u>(55,000)</u>	<u>195,000</u>	<u>100,000</u>	<u>0</u>	<u>100,000</u>	<u>50,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ 49</u>	<u>\$ (55,951)</u>	<u>\$ 81,584</u>	<u>\$ 10,677</u>	<u>92,261</u>	<u>17,222</u>
Fund Balance, Beginning of Year					<u>748,094</u>	<u>730,872</u>
Fund Balance, End of Year					<u>\$ 840,355</u>	<u>\$ 748,094</u>
(1) The City budgets for claims and compensated absences only to the extent expected to be paid, rather than on the modified accrual basis					\$ (10,742)	\$ 21,493
The City budgets for expenditures to the extent anticipated to be paid in cash, rather than on the modified accrual basis					1,028	(2,739)
The City budgets for payroll to the extent anticipated to be paid in cash, rather than on the modified accrual basis					(963)	14,879
					<u>\$ (10,677)</u>	<u>\$ 33,633</u>

CITY OF HIGHLAND, ILLINOIS  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEARS ENDED APRIL 30, 2015 AND 2014

	STREET IMPROVEMENT FUND					
	APRIL 30, 2015			APRIL 30, 2014		
	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP	Actual Amounts	Actual Amounts
Original Budget	Final Budget	Differences Over (Under)		GAAP Basis	GAAP Basis	
Revenues:						
Intergovernmental	\$ 1,350,000	\$ 1,350,000	\$ 1,356,778		\$ 1,356,778	\$ 1,350,631
Miscellaneous, Grants, and Interest	5,955,842	5,955,842	2,135,950		2,135,950	4,391,951
Total Revenues	<u>7,305,842</u>	<u>7,305,842</u>	<u>3,492,728</u>	<u>\$ 0</u>	<u>3,492,728</u>	<u>5,742,582</u>
Expenditures						
Highways and Streets	25,000	25,000	(186,633)	202,076	15,443	28,778
Capital Outlay	6,979,320	6,979,320	3,022,171		3,022,171	2,562,557
Bond Issue Costs			75,075		75,075	
Debt Services	1,197,618	1,197,618	1,085,022		1,085,022	1,169,242
Total Expenditures	<u>8,201,938</u>	<u>8,201,938</u>	<u>3,995,635</u>	<u>202,076</u>	<u>4,197,711</u>	<u>3,760,577</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(896,096)</u>	<u>(896,096)</u>	<u>(502,907)</u>	<u>(202,076)</u>	<u>(704,983)</u>	<u>1,982,005</u>
Other Financing Sources (Uses):						
Bond Proceeds						
Operating Transfers out			(202,400)		(202,400)	
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(202,400)</u>	<u>0</u>	<u>(202,400)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Uses	<u>\$ (896,096)</u>	<u>\$ (896,096)</u>	<u>\$ (705,307)</u>	<u>\$ (202,076)</u>	<u>(907,383)</u>	<u>1,982,005</u>
Fund Balance, Beginning of Year					2,022,325	40,320
Fund Balance, End of Year					<u>\$ 1,114,942</u>	<u>\$ 2,022,325</u>
(1) The City budgets for expenditures to the extent anticipated to be paid in cash, rather than on the modified accrual basis					202,076	25,923
					<u>\$ 202,076</u>	<u>\$ 25,923</u>

CITY OF HIGHLAND, ILLINOISREQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS - IMRF

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2014	\$ 13,805,607	\$ 17,385,783	\$ 3,580,176	79.41%	\$ 6,149,708	58.22%
12/31/2013	12,344,691	15,346,022	3,001,331	80.44%	5,733,031	52.35%
12/31/2012	11,082,192	14,732,064	3,649,872	75.22%	5,569,954	65.53%

On a market value basis, the actuarial value of assets as of December 31, 2014 is \$16,279,700. On a market basis, the funded ratio would be 93.64%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with City of Highland. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

CITY OF HIGHLAND, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS - SLEP

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2014	\$ 113,807	\$ 117,519	\$ 3,712	96.84%	\$ 0	0.00%
12/31/2013	99,816	112,562	12,746	88.68%	0	0.00%
12/31/2012	86,922	108,958	22,036	79.78%	0	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2014 is \$124,916. On a market basis, the funded ratio would be 106.29%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with City of Highland. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

CITY OF HIGHLAND, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS - POLICE PENSION

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) --Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2014	\$ 9,496,995	\$ 13,713,280	\$ 4,216,285	69.25%	\$ 1,456,344	289.51%
12/31/2013	8,899,321	12,894,013	3,994,692	69.02%	1,406,865	283.94%
12/31/2012	8,406,058	12,294,047	3,887,989	68.38%	1,333,614	291.54%

CITY OF HIGHLAND, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS - OPEB

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
5/1/2013	\$ 0	\$ 1,029,199	\$ 1,029,199	0.00%	\$ 7,571,590	13.59%
5/1/2010	0	773,875	773,875	0.00%	6,384,380	12.12%

The City of Highland implemented GASB Statement No. 45 for the fiscal year ended April 30, 2010. Information for prior years is not available. The most recent actuarial valuation was performed on May 1, 2013. Information pertaining to the OPEB plan administered by the City can be found in Note 11 to the financial statements.

CITY OF HIGHLAND, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

<u>Fiscal Year Ended</u>	<u>Employer Contributions</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage Contributed</u>
April 30, 2013	\$ 42,000	\$ 80,097	52.4%
April 30, 2014	32,000	102,072	31.4%
April 30, 2015	37,000	100,843	36.7%

CITY OF HIGHLAND, ILLINOIS  
 GENERAL GOVERNMENTAL REVENUES BY SOURCE  
 FOR THE LAST TEN FISCAL YEARS  
 INCLUDES ALL GOVERNMENTAL FUND TYPES

YEAR ENDING APRIL 30	GENERAL PROPERTY TAX	CORPORATE PERSONAL PROPERTY REPLACEMENT TAX	INTERGOV- ERNMENTAL	CHARGES FOR SERVICES	LICENSE AND PERMITS	FINES AND FORFEITS	INTEREST	MISC.	TOTAL
2006	\$ 2,708,932	\$ 163,621	\$ 3,859,255	\$ 2,302,830	\$ 251,799	\$ 60,465	\$ 315,177	\$ 660,095	\$ 10,322,174
2007	2,522,196	178,808	5,149,295	2,446,985	340,678	67,110	419,710	607,563	11,732,345
2008	2,633,331	208,944	5,655,154	2,646,514	269,795	68,157	920,473	401,148	12,803,516
2009	2,872,178	177,291	5,416,591	2,957,524	225,345	49,042	742,624	713,255	13,153,850
2010	2,990,933	146,549	4,975,854	3,059,292	225,803	54,692	579,848	659,788	12,692,759
2011	3,078,983	181,117	5,483,104	3,037,389	222,856	39,334	438,389	367,308	12,848,480
2012	3,241,161	158,971	5,593,882	3,228,552	253,021	39,391	357,188	373,906	13,246,072
2013	3,285,930	166,695	5,741,080	3,236,736	244,256	36,070	315,726	395,761	13,422,254
2014	3,316,000	177,447	5,878,534	3,435,972	234,720	35,787	190,000	4,861,048	18,129,508
2015	3,356,566	186,556	5,936,918	3,612,417	273,768	30,176	159,996	2,473,835	16,030,232

## COMMENTS

In fiscal year 2007, under "Intergovernmental", the City started receiving a 1% Non-Home Rule Sales Tax

In fiscal year 2014 and 2015, there are numerous reimbursements for Street projects included in the Misc revenue amount.

TABLE 2

CITY OF HIGHLAND, ILLINOIS  
 INTERGOVERNMENTAL TAX REVENUES BY SOURCE  
 FOR THE LAST TEN FISCAL YEARS  
 INCLUDES ALL GOVERNMENTAL FUND TYPES

YEAR ENDING APRIL 30	SALES TAX	NON-HOME RULE SALES TAX	ILLINOIS INCOME TAX	FOREIGN FIRE INSURANCE	SIMPLIFIED MUNICIPAL TELECOMM. TAX	MOTOR FUEL TAX	FIRE DIST. AMBULANCE REVENUE	MISC. REVENUE	TOTAL
2006	\$ 2,237,174		\$ 736,557	\$ 13,225	\$ 453,825	\$ 257,788	\$ 145,172	\$ 15,514	\$ 3,859,255
2007	2,330,511	\$ 1,003,429	944,456	13,563	409,131	280,738	150,978	16,489	5,149,295
2008	2,346,477	1,410,869	1,020,941	20,321	402,653	270,061	166,559	17,273	5,655,154
2009	2,259,427	1,340,177	964,614	12,826	414,807	252,766	166,439	5,535	5,416,591
2010	2,243,074	1,310,534	556,566	18,535	412,632	244,353	171,433	15,727	4,972,854
2011	2,317,224	1,336,366	952,628	19,484	376,206	285,892	179,351	15,953	5,483,104
2012	2,346,665	1,365,968	971,061	18,632	398,496	292,156	185,690	15,214	5,593,882
2013	2,366,296	1,357,612	1,137,011	18,186	362,642	285,370	190,769	23,194	5,741,080
2014	2,406,532	1,350,631	1,140,257	17,623	334,627	337,057	226,869	64,938	5,878,534
2015	2,473,224	1,356,778	1,171,822	19,898	269,460	294,314	260,294	91,128	5,936,918

## COMMENTS

In fiscal year 2007 the City started receiving a 1% Non-Home Rule Sales Tax

In fiscal year 2013 the City started receiving video gaming revenue. These are included under the miscellaneous revenue category.

TABLE 3

CITY OF HIGHLAND, ILLINOIS  
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
 FOR THE LAST TEN FISCAL YEARS  
 INCLUDES ALL GOVERNMENTAL FUND TYPES

<u>YEAR ENDING APRIL 30</u>	<u>GENERAL GOVERN- MENTAL</u>	<u>PUBLIC SAFETY</u>	<u>HIGHWAY AND STREETS</u>	<u>CULTURE AND RECREATION</u>	<u>OTHER</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
2006	\$ 927,844	\$ 3,816,909	\$ 1,653,543	\$ 2,479,275	\$ 586,516	\$ 761,062	\$ 10,225,149
2007	1,041,886	3,968,315	2,330,856	2,024,451	818,941	761,042	10,945,491
2008	1,231,021	4,198,209	3,233,998	2,172,975	759,983	1,103,215	12,699,401
2009	1,608,183	3,859,278	4,201,234	2,068,673	733,147	1,279,635	13,750,150
2010	1,253,607	3,947,271	4,644,580	2,354,187	753,136	1,535,297	14,488,078
2011	1,387,330	4,297,984	9,448,148	2,522,736	1,027,486	1,618,436	20,302,120
2012	1,463,305	4,061,839	2,315,086	2,522,697	1,134,503	1,575,334	13,072,764
2013	1,379,194	4,745,807	3,013,880	2,343,311	2,945,835 **	1,729,926	16,157,953
2014	1,476,274	4,960,364	4,694,239	2,281,886	1,293,407	1,733,486	16,439,656
2015	1,650,483	5,568,489	4,845,670	2,590,978	1,145,969	1,698,108	17,499,697

## COMMENTS

\*\*In fiscal year 2013, the City reimbursed for the redevelopment costs of the new hospital complex under the other category.

TABLE 4

CITY OF HIGHLAND, ILLINOIS  
 ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY,  
 PROPERTY TAX RATES PER \$100 OF ASSESSED VALUATION, AND TAX EXTENSIONS  
 FOR THE LAST TEN YEARS

TAXES LEVIED BY CITY IN	DEC 2005	DEC 2006	DEC 2007	DEC 2008	DEC 2009	DEC 2010	DEC 2011	DEC 2012	DEC 2013	DEC 2014
ESTIMATED TAXABLE VALUE	\$ 440,869,377	\$ 484,290,618	\$ 535,702,059	\$ 566,592,132	\$ 566,714,472	\$ 556,277,586	\$ 549,401,196	\$ 544,265,430	\$ 529,010,859	\$ 533,481,255
ASSESSED VALUATION	146,956,459	161,430,206	178,567,353	188,864,044	188,904,824	185,425,862	183,133,732	181,421,810	176,336,953	177,827,085
TAX RATES:										
GENERAL	0.3330	0.3274	0.3297	0.3330	0.3330	0.3330	0.3330	0.3312	0.3330	0.3220
POLICE	0.0750	0.0738	0.0743	0.0750	0.0750	0.0750	0.0750	0.0746	0.0750	0.0726
FIRE	0.0750	0.0738	0.0743	0.0750	0.0750	0.0750	0.0750	0.0746	0.0750	0.0726
COMMUNITY BUILDING	0.0750	0.0738	0.0743	0.0750	0.0750	0.0750	0.0750	0.0746	0.0750	0.0726
PLAYGROUND & REC	0.0900	0.0885	0.0891	0.0900	0.0900	0.0900	0.0900	0.0895	0.0900	0.0871
BAND	0.0320	0.0256	0.0239	0.0239	0.0247	0.0252	0.0257	0.0254	0.0259	0.0259
POLICE PENSION	0.1450	0.1415	0.1217	0.1331	0.1883	0.1627	0.1826	0.2200	0.2324	0.2404
SOCIAL SECURITY	0.2254	0.2076	0.1977	0.1933	0.1933	0.2055	0.1994	0.2040	0.2099	0.2587
AUDIT	0.0150	0.0166	0.0152	0.0149	0.0149	0.0108	0.0110	0.0100	0.0100	0.0096
RETIREMENT	0.1909	0.1685	0.1796	0.1510	0.1668	0.2007	0.2021	0.2150	0.2212	0.2756
LIABILITY INSURANCE	0.1114	0.1015	0.0897	0.0874	0.0874	0.1241	0.1611	0.1627	0.1673	0.1294
SCHOOL CROSSING GUARD	0.0104	0.0087	0.0092	0.0085	0.0085	0.0057	0.0069	0.0067	0.0069	0.0068
AMBULANCE SERVICE	0.2500	0.2458	0.2475	0.2304	0.2204	0.2302	0.2389	0.2411	0.2481	0.2418
BONDS & INTEREST:										
STREET B&I										
PUBLIC COMFORT STATION			0.0128	0.0121	0.0122	0.0124	0.0126	0.0124	0.0171	0.0141
TOTAL RATE-CITY CORP	1.6281	1.5531	1.5390	1.5026	1.5645	1.6253	1.6883	1.7418	1.7868	1.8292
LIBRARY	0.1500	0.1475	0.1485	0.1500	0.1500	0.1500	0.1500	0.1492	0.1500	0.1451
LIBRARY LIABILITY INSURANCE	0.0211	0.0193		0.0174	0.0175	0.0229	0.017	0.0193	0.0176	0.0175
TOTAL TAX RATE	1.7992	1.7199	1.6875	1.6700	1.7320	1.7982	1.8553	1.9103	1.9544	1.9918
TAX EXTENSIONS:										
GENERAL	\$ 489,356	\$ 528,523	\$ 588,737	\$ 628,917	\$ 629,053	\$ 617,468	\$ 609,835	\$ 600,869	\$ 587,202	\$ 572,603
POLICE	110,217	119,135	132,676	141,648	141,679	139,069	137,350	135,341	132,253	129,103
FIRE	110,217	119,135	132,676	141,648	141,679	139,069	137,350	135,341	132,253	129,103
COMMUNITY BUILDING	110,217	119,135	132,676	141,648	141,679	139,069	137,350	135,341	132,253	129,103
PLAYGROUND & REC	132,261	142,866	159,104	169,978	170,014	166,883	164,820	162,373	158,703	154,887
BAND	47,026	41,326	42,678	45,139	46,659	46,727	47,065	46,081	45,671	46,057
POLICE PENSION	213,087	228,424	217,316	251,378	355,708	301,688	334,402	399,128	409,807	427,496
SOCIAL SECURITY	331,240	335,129	353,028	365,074	365,153	381,050	365,169	370,100	370,131	460,039
AUDIT	22,043	26,797	27,142	28,141	28,141	20,026	20,145	18,142	17,634	17,071
RETIREMENT	280,540	272,010	320,707	285,185	315,093	372,150	370,113	390,057	390,057	490,091
LIABILITY INSURANCE	163,710	163,852	160,175	165,067	165,103	230,113	295,028	295,173	295,012	230,108
SCHOOL CROSSING GUARD	15,283	14,044	16,428	16,053	16,057	10,569	12,636	12,155	12,167	12,092
AMBULANCE SERVICE	367,391	396,795	441,954	435,143	416,346	426,850	437,506	437,408	437,492	429,986
BONDS & INTEREST:										
STREET B&I										
PUBLIC COMFORT STATION			22,857	22,853	23,046	22,993	23,075	22,496	30,154	25,074
TOTAL RATE-CITY CORP	2,392,588	2,507,171	2,748,154	2,837,872	2,955,416	3,013,724	3,091,844	3,160,005	3,150,789	3,252,813
LIBRARY	220,435	238,110	265,173	283,296	283,357	278,139	274,701	270,681	264,505	258,027
LIBRARY LIABILITY INSURANCE	31,008	31,156		32,862	33,058	42,463	31,133	35,014	31,035	31,120
TOTAL EXTENSIONS	\$ 2,644,031	\$ 2,776,437	\$ 3,013,327	\$ 3,154,030	\$ 3,271,831	\$ 3,334,326	\$ 3,397,678	\$ 3,465,700	\$ 3,446,329	\$ 3,541,960

TABLE 5

CITY OF HIGHLAND, ILLINOIS  
 PROPERTY TAX RATES PER \$100 OF ASSESSED VALUATION  
 ALL DIRECT AND OVERLAPPING GOVERNMENTS  
 LAST TEN YEARS (UNAUDITED)

RESIDENTS LIVING IN THE CITY OF HIGHLAND IN SALINE TOWNSHIP

YEAR LEVIED IN IN	<u>MADISON COUNTY</u>	<u>SALINE TOWNSHIP</u>	<u>SALINE ROAD &amp; BRIDGE</u>	<u>HIGHLAND SCHOOL DIST. #5</u>	<u>CITY OF HIGHLAND + LIBRARY</u>	<u>S.W.I.C. DIST. #522</u>	<u>TOTAL</u>
2005	0.7050	0.1681	0.3148	4.4127	1.7992	0.3503	7.7501
2006	0.6758	0.1577	0.3057	4.7648	1.7199	0.3614	7.9853
2007	0.6518	0.1641	0.2960	4.7979	1.6875	0.3734	7.9707
2008	0.6534	0.1598	0.2927	4.7576	1.6700	0.3497	7.8832
2009	0.6781	0.1874	0.2981	4.8080	1.7320	0.3552	8.0588
2010	0.7145	0.1664	0.2989	4.6614	1.7982	0.3638	8.0032
2011	0.6864	0.1494	0.3060	4.6885	1.8553	0.3743	8.0599
2012	0.6974	0.1462	0.3138	4.6669	1.9103	0.3919	8.1265
2013	0.7210	0.1493	0.3161	4.7646	1.9544	0.4048	8.3102
2014	0.7329	0.1470	0.3138	4.7452	1.9918	0.4242	8.3549

RESIDENTS LIVING IN THE CITY OF HIGHLAND IN HELVETIA TOWNSHIP

YEAR LEVIED IN IN	<u>MADISON COUNTY</u>	<u>HELVETIA TOWNSHIP</u>	<u>HELVETIA ROAD &amp; BRIDGE</u>	<u>HIGHLAND SCHOOL DIST. #5</u>	<u>CITY OF HIGHLAND + LIBRARY</u>	<u>S.W.I.C. DIST. #522</u>	<u>TOTAL</u>
2005	0.7050	0.1140	0.4080	4.4127	1.7992	0.3503	7.7892
2006	0.6758	0.1113	0.4022	4.7648	1.7199	0.3614	8.0354
2007	0.6518	0.1383	0.3988	4.7979	1.6875	0.3734	8.0477
2008	0.6534	0.1387	0.3948	4.7576	1.6700	0.3497	7.9642
2009	0.6781	0.1442	0.4040	4.8080	1.7320	0.3552	8.1215
2010	0.7145	0.1527	0.4159	4.6614	1.7982	0.3638	8.1065
2011	0.6864	0.1513	0.4262	4.6885	1.8553	0.3743	8.1820
2012	0.6974	0.1516	0.4268	4.6669	1.9103	0.3919	8.2449
2013	0.7210	0.1560	0.4317	4.7646	1.9544	0.4048	8.4325
2014	0.7329	0.1612	0.4304	4.7452	1.9918	0.4242	8.4857

TABLE 6

CITY OF HIGHLAND, ILLINOIS  
COMPUTATION OF LEGAL DEBT MARGIN  
APRIL 30, 2015

ASSESSED VALUATION FOR 2014	\$ 177,827,085
STATUTORY DEBT LIMITATION: 8.625% of Assessed Valuation	15,337,586
TOTAL GENERAL OBLIGATION DEBT	<u>0</u>
LEGAL DEBT MARGIN	<u><u>\$ 15,337,586</u></u>

CITY OF HIGHLAND, ILLINOIS  
 RATIO OF NET GENERAL DEBT TO ASSESSED VALUE  
 AND NET BONDED DEBT PER CAPITA  
 LAST TEN FISCAL YEARS

YEAR ENDING APRIL 30,	POPULATION	ASSESSED VALUATION	GENERAL BONDED DEBT	RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUATION	BONDED DEBT PER CAPITA
2006	9,433	\$ 146,956,459	\$ 595,000	0.004	\$ 63.08
2007	9,433	161,430,206	305,000	0.002	32.33
2008	9,433	178,567,353	0	0.000	0.00
2009	9,433	188,864,044	0	0.000	0.00
2010	9,433	188,904,824	0	0.000	0.00
2011	9,919	185,425,862	0	0.000	0.00
2012	9,919	183,133,732	0	0.000	0.00
2013	9,919	181,421,810	0	0.000	0.00
2014	9,919	176,336,953	0	0.000	0.00
2015	9,919	177,827,085	0	0.000	0.00

CITY OF HIGHLAND, ILLINOIS  
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT  
 TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
 FOR THE LAST TEN FISCAL YEARS

YEAR ENDING APRIL 30	ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT			TOTAL GENERAL GOVERNMENTAL EXPENDITURES	GENERAL BONDED DEBT SERVICE TO GENERAL EXPENDITURES
	PRINCIPAL	INTEREST AND FIXED CHARGES	TOTAL		
2006	\$ 275,000	\$ 34,004	\$ 309,004	\$ 10,225,149	3.0%
2007	290,000	21,042	311,042	10,945,491	2.8%
2008	305,000	7,168	312,168	12,699,401	2.5%
2009	0	0	0	13,750,150	0.0%
2010	0	0	0	14,488,078	0.0%
2011	0	0	0	20,302,120	0.0%
2012	0	0	0	13,072,764	0.0%
2013	0	0	0	16,157,953	0.0%
2014	0	0	0	16,439,656	0.0%
2015	0	0	0	17,499,697	0.0%

CITY OF HIGHLAND, ILLINOIS  
REVENUE BOND COVERAGE  
ELECTRIC AND FTTP BONDS

2006 ELECTRIC BONDS

YEAR ENDING APRIL 30	GROSS REVENUES	OPERATING EXPENSES LESS DEPRECIATION	FTTP DEBT SERVICE	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			COVERAGE*
					PRINCIPAL	INTEREST	TOTAL	
2008	\$ 11,530,762	\$ 9,385,305	\$ 0	\$ 2,145,457	\$ 960,000	\$ 240,850	\$ 1,200,850	1.79
2009	11,495,789	9,911,686	0	1,584,103	930,000	204,850	1,134,850	1.40
2010	12,020,363	10,485,541	0	1,534,822	900,000	169,975	1,069,975	1.43
2011	13,676,473	11,849,220	255,074	1,572,179	625,000	135,100	760,100	2.07
2012	13,110,954	11,543,630	552,794	1,014,530	600,000	111,038	711,038	1.43
2013	14,557,757	12,215,913	682,205	1,659,639	600,000	87,938	687,938	2.41
2014	15,530,115	13,005,897	771,163	1,753,056	600,000	64,538	664,538	2.64
2015	15,514,885	13,191,787	877,225	1,445,873	525,000	41,138	566,138	2.55

\*The coverage requirement per the 2006 Electric Bond Ordinance is 1.25 after the superior FTTP debt service has been satisfied

2010 and 2012 FTTP BONDS

YEAR ENDING APRIL 30	GROSS REVENUES	OPERATING EXPENSES LESS DEPRECIATION	NET REVENUE AVAILABLE FOR DEBT SERVICE	INTEREST SUBSIDY	DEBT SERVICE REQUIREMENTS			COVERAGE** with Subsidy	COVERAGE*** without Subsidy
					PRINCIPAL	INTEREST	TOTAL		
2011	\$ 13,676,473	\$ 11,849,220	\$ 1,827,253	\$ 155,680	\$ 0	\$ 255,074 (1)	\$ 255,074	7.16	6.55
2012	13,110,954	11,543,630	1,567,324	158,303	100,000	452,794	552,794	2.84	2.55
2013	14,557,757	12,215,913	2,341,844	157,679	125,000	557,205	682,205	3.43	3.20
2014	15,530,115	13,005,897	2,524,218	144,181	175,000	596,163	771,163	3.27	3.09
2015	15,514,885	13,191,787	2,323,098	143,548	285,000	592,225	877,225	2.65	2.48

\*\*The coverage requirement per the 2010 and 2012 FTTP Bond Ordinance is 1.20 with the interest subsidy

\*\*\*The coverage requirement per the 2010 and 2012 FTTP Bond Ordinance is 1.10 without the interest subsidy

(1) Per the 2010 Ordinance, this excludes amount deposited in the Capitalized Subaccount

ELECTRIC AND FTTP BONDS

YEAR ENDING APRIL 30	GROSS REVENUES	OPERATING EXPENSES LESS DEPRECIATION	NET REVENUE AVAILABLE FOR DEBT SERVICE	INTEREST SUBSIDY	DEBT SERVICE REQUIREMENTS			COVERAGE**** without Subsidy
					PRINCIPAL	INTEREST	TOTAL	
2011	\$ 13,676,473	\$ 11,849,220	\$ 1,827,253	\$ 155,680	\$ 625,000	\$ 390,174 (1)	\$ 1,015,174	1.65
2012	13,110,954	11,543,630	1,567,324	158,303	700,000	563,832	1,263,832	1.11
2013	14,557,757	12,215,913	2,341,844	157,679	725,000	645,143	1,370,143	1.59
2014	15,530,115	13,005,897	2,524,218	144,181	775,000	660,700	1,435,700	1.66
2015	15,514,885	13,191,787	2,323,098	143,548	810,000	633,363	1,443,363	1.51

\*\*\*\*The coverage requirement for all electrical system bonds is 1.00 without the interest subsidy

(1) Per the 2010 Ordinance, this excludes amount deposited in the Capitalized Subaccount

TABLE 10

CITY OF HIGHLAND, ILLINOIS  
PRINCIPAL TAXPAYERS  
 DECEMBER 2014 (UNAUDITED)

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>TOTAL ASSESSMENT 2014</u>	<u>PERCENTAGE OF CITY ASSESSED VALUE</u>
St. Josephs Hospital	Healthcare	\$ 3,550,850	2.00 %
Walmart Stores	Department Store	2,752,870	1.55
Retko Group	Rental Property	1,886,730	1.06
Frey Properties	Developer	1,378,650	0.78
Eaton Cooper B-Line Systems	Industrial Support Systems	1,273,490	0.72
Highland Development Group LLC	Developer	1,215,940	0.68
Glik Development Co.	Real Estate Development	952,540	0.54
Trouw Nutrition	Feed Additive	914,630	0.51
Dow Jones	Wall Street Journal-MidWest Edition	904,440	0.51
Highland Leasehold / Health	Nursing Care	895,030	0.50
Emerald Pointe Villas LTD	Rental Property	777,760	0.44
TOTALS		<u>\$ 16,502,930</u>	<u>9.29 %</u>

Source: Madison County Clerk's Office

TABLE 11

CITY OF HIGHLAND, ILLINOIS  
PROPERTY VALUE AND CONSTRUCTION INFORMATION  
LAST TEN FISCAL YEARS (UNAUDITED)

YEAR ENDING APRIL 30,	CONSTRUCTION					PROPERTY VALUE (IN 000'S) **				
	RESIDENTIAL		COMMERCIAL AND INDUSTRIAL		TOTAL	ASSESSMENT YEAR	RESIDENTIAL	COMMERCE & INDUSTRY	RAILROAD & FARM	TOTAL
	NO. OF PERMITS	VALUE (in 000's)	NO. OF PERMITS	VALUE (in 000's)						
2006	232	\$ 17,640	61	\$ 1,997	\$ 19,637	2005	\$ 311,279	\$ 129,357	\$ 234	\$ 440,870
2007	215	14,130	38	3,657	17,787	2006	344,700	139,359	231	484,290
2008	151	7,019	48	5,359	12,378	2007	388,518	146,922	263	535,703
2009	130	3,051	57	7,690	10,741	2008	412,391	154,960	332	567,683
2010	149	9,558	53	5,812	15,370	2009	404,958	161,262	494	566,714
2011	123	2,909	46	4,905	7,814	2010	400,810	154,937	531	556,278
2012	192	3,922	49	46,115	50,037	2011	395,744	153,025	632	549,401
2013	199	4,486	53	4,531	9,017	2012	393,175	150,444	646	544,265
2014	167	5,712	49	7,476	13,189	2013	382,193	146,159	659	529,011
2015	181	3,078	50	3,439	6,517	2014	386,486	146,317	678	533,481

\*\* Source: Property Value based on County Clerk's information on assessed valuation as 33 1/3 % of fair market value.

CITY OF HIGHLAND, ILLINOIS  
 LIGHT AND POWER FUND  
 COMPARATIVE SUMMARY OF OPERATIONS  
 FOR THE LAST TEN FISCAL YEARS

YEAR ENDING APRIL 30	OPERATING REVENUE	OPERATING EXPENSES INCLUDING DEPRECIATION AND INTEREST EXPENSE		INCOME (LOSS) EXCLUDING OTHER INCOME	
		AMOUNT	PERCENT OF OPERATING REVENUE	AMOUNT	PERCENT OF OPERATING REVENUE
2006	\$ 9,884,032	\$ 10,297,107	104.18	\$ (413,075)	(4.18)
2007	10,232,394	9,221,378	90.12	1,011,016	9.88
2008	11,122,439	10,270,549	92.34	851,890	7.66
2009	11,153,844	10,843,649	97.22	310,195	2.78
2010	11,715,095	11,716,928	100.02	(1,833)	(0.02)
2011	13,033,343	13,441,857	103.13	(408,514)	(3.13)
2012	12,625,213	13,389,524	106.05	(764,311)	(6.05)
2013	13,997,817	14,447,104	103.21	(449,287)	(3.21)
2014	15,202,314	15,361,797	101.05	(159,483)	(1.05)
2015	15,266,278	15,479,094	101.39	(212,816)	(1.39)

\*The City does not budget for depreciation expense.

CITY OF HIGHLAND, ILLINOIS  
 WATER FUND  
 COMPARATIVE SUMMARY OF OPERATIONS  
 FOR THE LAST TEN FISCAL YEARS

YEAR ENDING APRIL 30	GROSS REVENUE	OPERATING EXPENSES INCLUDING DEPRECIATION AND INTEREST EXPENSE		INCOME (LOSS) EXCLUDING OTHER INCOME	
		AMOUNT	PERCENT OF GROSS REVENUE	AMOUNT	PERCENT OF GROSS REVENUE
2006	\$ 2,084,269	\$ 1,871,781	89.81	\$ 212,488	10.19
2007	2,202,659	1,952,584	88.65	250,075	11.35
2008	2,158,208	2,093,549	97.00	64,659	3.00
2009	2,023,434	2,302,964	113.81	(279,530)	(13.81)
2010	2,054,813	2,376,707	115.67	(321,894)	(15.67)
2011	2,056,911	2,357,134	114.60	(300,223)	(14.60)
2012	2,056,773	2,258,364	109.80	(201,591)	(9.80)
2013	2,126,935	2,326,022	109.36	(199,087)	(9.36)
2014	2,003,215	2,252,837	112.46	(249,622)	(12.46)
2015	1,971,690	2,193,759	111.26	(222,069)	(11.26)

\*The City does not budget for depreciation expense.

CITY OF HIGHLAND, ILLINOIS  
SEWER FUND  
COMPARATIVE SUMMARY OF OPERATIONS  
FOR THE LAST TEN FISCAL YEARS

YEAR ENDING APRIL 30	GROSS REVENUE	OPERATING EXPENSES INCLUDING DEPRECIATION AND INTEREST EXPENSE		INCOME (LOSS) EXCLUDING OTHER INCOME	
		AMOUNT	PERCENT OF GROSS REVENUE	AMOUNT	PERCENT OF GROSS REVENUE
2006	\$ 1,808,227	\$ 1,803,285	99.73	\$ 4,942	0.27
2007	1,676,604	1,871,934	111.65	(195,330)	(11.65)
2008	1,670,146	1,881,764	112.67	(211,618)	(12.67)
2009	1,695,214	1,803,368	106.38	(108,154)	(6.38)
2010	1,762,689	1,917,267	108.77	(154,578)	(8.77)
2011	1,752,109	1,963,479	112.06	(211,370)	(12.06)
2012	1,739,417	1,983,372	114.03	(243,955)	(14.03)
2013	1,809,340	1,991,646	110.08	(182,306)	(10.08)
2014	2,044,434	2,159,013	105.60	(114,579)	(5.60)
2015	2,082,634	2,078,474	99.80	4,160	0.20

\*The City does not budget for depreciation expense.

TABLE 15

CITY OF HIGHLAND, ILLINOIS  
 MISCELLANEOUS STATISTICS  
 APRIL 30, 2015 (UNAUDITED)

Date of Incorporation	1884		
Form of Government	Council/Manager		
Number of Employees -			
Total	366		
Full Time	110		
Total Area	7.4 square miles		
Number of Dwelling Units	4,692		
Population	9,919		
CITY OF HIGHLAND FACILITIES AND SERVICES			
Fire Protection:			
Number of Stations	2		
Number of Firemen	48 Volunteers		
Fire Insurance Rating	4		
Police Protection:			
Number of Policemen and Officers	19		
Number of Squad Cars	12		
Ambulance:			
Number of Ambulances in Service	3		
Number of Ambulances in Reserve	1		
Number of Paramedics and Emergency Medical Technicians	27		
Culture and Recreation:			
Public Library (Volume of Books and Audio Visuals)	1 (60,379 items)		
Parks	11		
Ball Diamonds Available	16		
Tennis Courts Available	11		
Public Pools	2		
Recreation Buildings	2		
Senior Citizen Centers	2		
Skate Park	1		
Electric Service:			
Number of Accounts	6,604 customers		
Area Serviced	47.8 square miles		
Water Service:			
Number of Accounts	4,670 customers		
Average Daily Demand	1.195 MG/day		
Treatment Capacity	4.2 MG/day		
Sewer Service:			
Number of Accounts	4,314 customers		
Present Flow	1.493 MG/day		
FACILITIES AND SERVICES NOT INCLUDED IN THE REPORTING ENTITY:			
Education:	No. of schools	Teachers	Enrollment
Elementary (K-6)	2	113	1,505
Middle School	2	38	500
High School	1	<u>76</u>	<u>1,009</u>
		227	3,014
Utilities:			
Electric, Water, Sewer, Refuse	City of Highland Utilities		
Cable and Satellite TV	HCS, Charter Communications, and Direct TV		
Gas	Ameren IP		
Telephone	HCS, Frontier		
Hospital	1		
Nursing Homes and Assisted Living	5		