

CITY OF HIGHLAND, ILLINOIS
ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS
APRIL 30, 2017

CITY OF HIGHLAND, ILLINOIS
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CITY OF HIGHLAND, ILLINOIS
April 30, 2017
Management's Discussion & Analysis

CITY OF HIGHLAND, ILLINOIS
Council/Manager - Form of Government
April 30, 2017

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, 2017
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, 2017 with comparative information for the fiscal year ended April 30, 2016.

FINANCIAL HIGHLIGHTS

- Total assets exceeded liabilities at the close of the fiscal year by approximately \$70.2 million (net position). Of this amount, the unrestricted amount of \$8.3 million may be used to meet the City's ongoing obligations to citizens and creditors.
- City-wide net position increased .4% during the fiscal year. Governmental activities remained consistent while a .7% increase 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 2017 is \$85.2 million (net of depreciation). This is comprised of \$43.1 million for governmental activities plus \$42.1 million for business-type activities. These figures now include the net book value of the 138kv electrical line completed with the assistance of IMEA.
- Receipts of the traditional sales tax, shown within the "Intergovernmental" revenue line item, increased 2.4% during FY 2017. According to City estimates, the number of retailers in Highland has not changed dramatically but sales remain consistent.
- FY 2017 was the ninth 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 increasing. 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.

CITY OF HIGHLAND, ILLINOIS
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Management's Discussion & Analysis

USING THIS ANNUAL REPORT

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 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.

CITY OF HIGHLAND, ILLINOIS
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- *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.
- *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. The City has also included information on its various pension plans in accordance with GASB statutes. 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
April 30, 2017
Management's Discussion & Analysis

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison between the activities for FY '17 and the activities for FY '16 under the GASB Statement No. 34 model. The city-wide total for revenues increased \$.7 million and expenditures increased \$.9 million compared to the previous fiscal year. Governmental revenues exceeded expenditures for the current and prior fiscal year. In this fiscal year the revenues exceeded expenditures while the prior fiscal year the business-type activities experienced slightly more expenditures than revenue. 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.

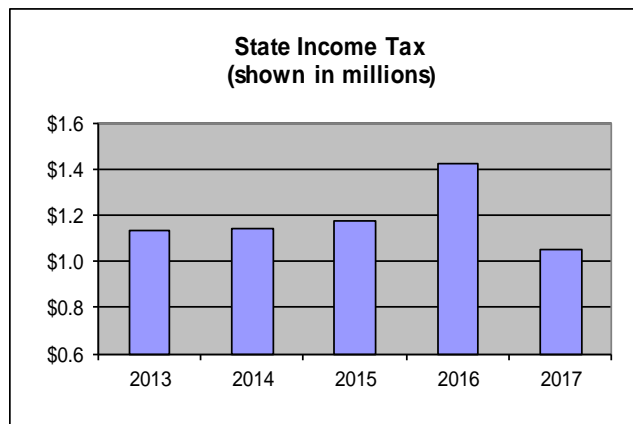
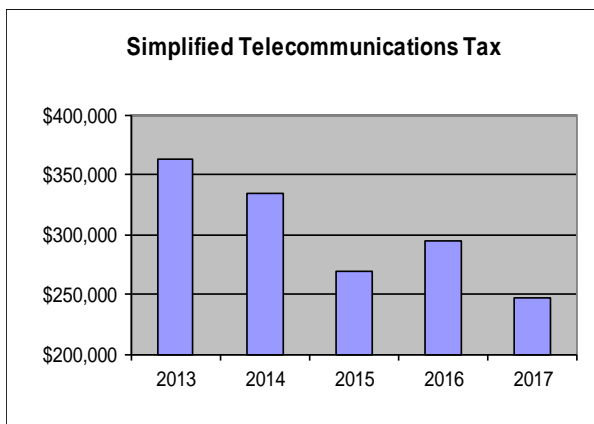
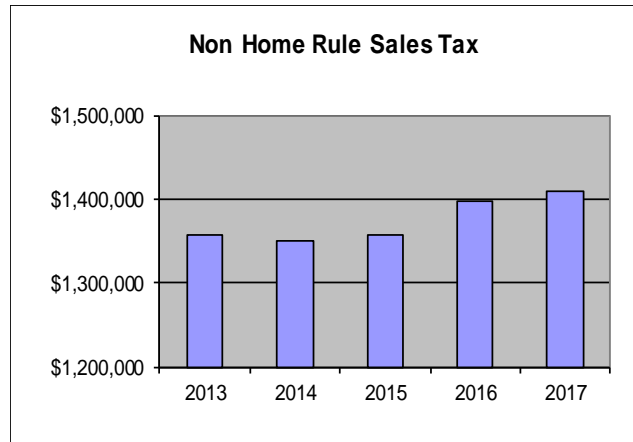
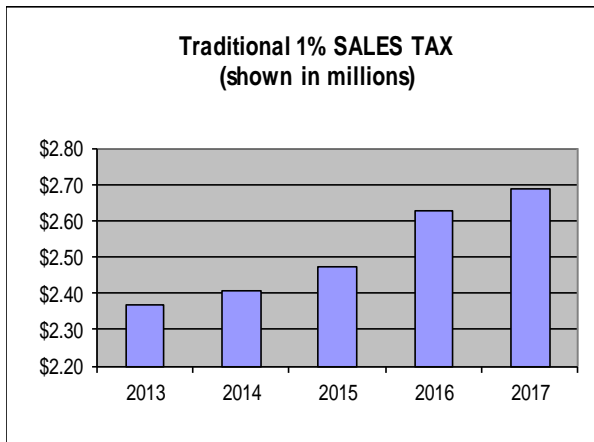
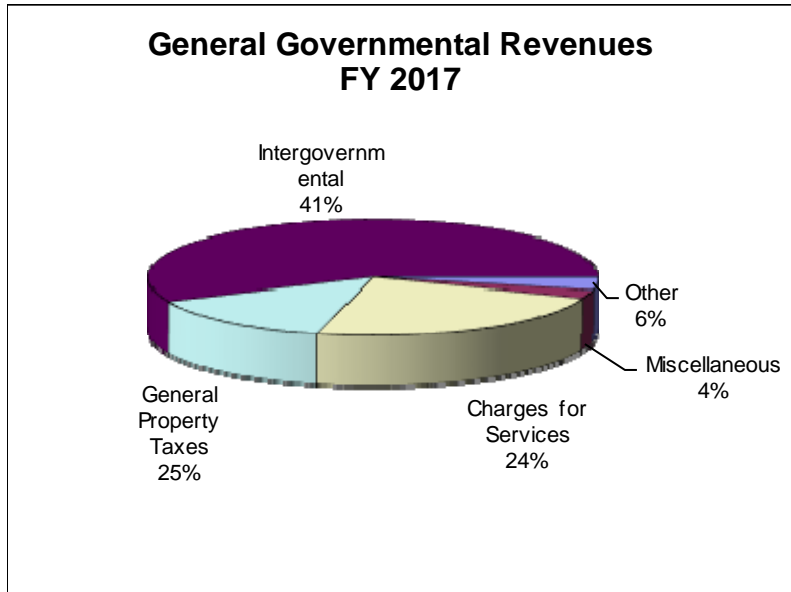
	Governmental Activities		Business-type Activities		Totals	
	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016
Revenues						
Program Revenues						
Charges for Services	\$ 3.9	\$ 4.1	\$ 22.2	\$ 21.2	\$ 26.1	\$ 25.3
Operating Grants and Contributions	0.1	0.3			0.1	0.3
Capital Grants and Contributions	0.3	0.5			0.3	0.5
General Revenues						
Property Taxes, General Purposes	3.7	3.6			3.7	3.6
Intergovernmental	6.2	6.5			6.2	6.5
Miscellaneous	0.6	0.3	0.5	0.3	1.1	0.6
Interfund Transfers	0.2	0.2			0.2	0.2
Total Revenues	\$ 15.0	\$ 15.5	\$ 22.7	\$ 21.5	\$ 37.7	\$ 37.0
Expenditures						
General Government	\$ 1.9	\$ 1.9			\$ 1.9	\$ 1.9
Public Safety	6.1	5.7			6.1	5.7
Highways and Streets	2.9	2.8			2.9	2.8
Culture and Recreation	2.6	2.7			2.6	2.7
Economic Development	0.3	0.4			0.3	0.4
Employer's Cont. to Retirement Fund	0.9	0.8			0.9	0.8
Interest on Long-Term Debt	0.3	0.3			0.3	0.3
Electric			\$ 16.5	\$ 15.9	16.5	15.9
Water			2.1	2.2	2.1	2.2
Sewer			2.1	2.1	2.1	2.1
Solid Waste			1.5	1.5	1.5	1.5
Interfund Transfer			0.2	0.2	0.2	0.2
Total Expenditures	\$ 15.0	\$ 14.6	\$ 22.4	\$ 21.9	\$ 37.4	\$ 36.5
Change In Net Position	-	0.9	0.3	(0.4)	0.3	0.5
Beginning Net Position (restated)	36.3	35.4	33.6	34.0	69.9	69.4
Ending Net Position	\$ 36.3	\$ 36.3	\$ 33.9	\$ 33.6	\$ 70.2	\$ 69.9

CITY OF HIGHLAND, ILLINOIS
April 30, 2017
Management's Discussion & Analysis

Governmental Activities

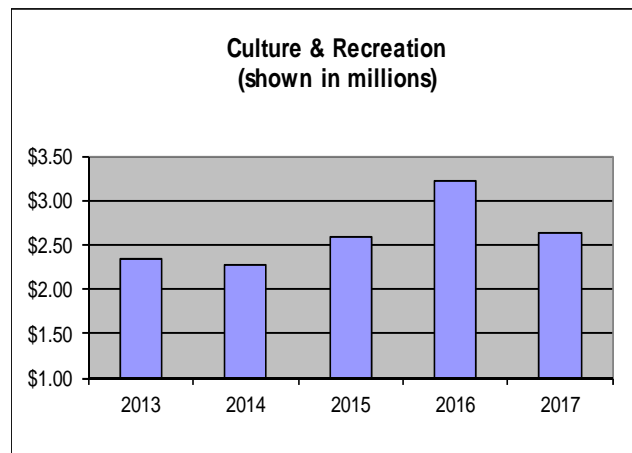
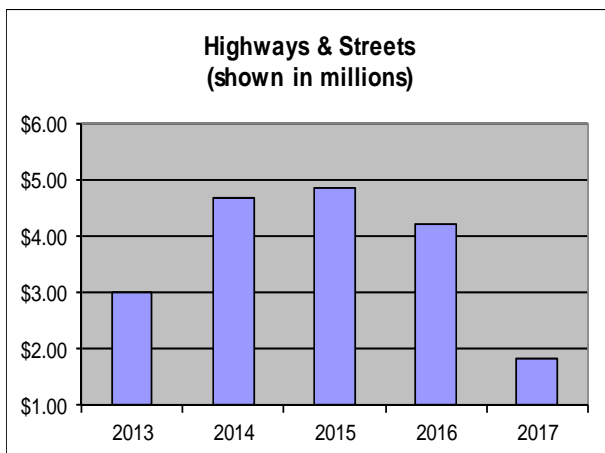
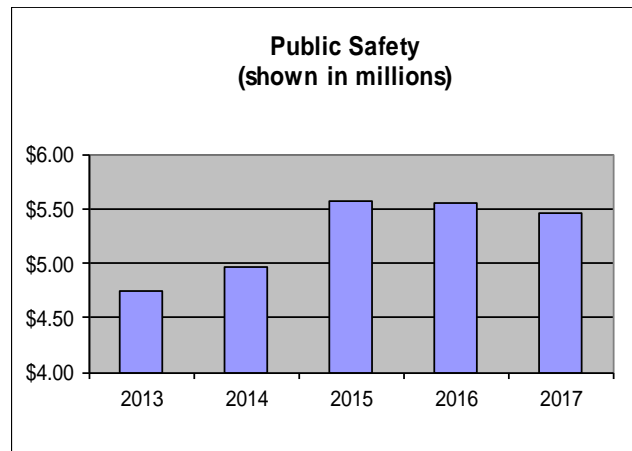
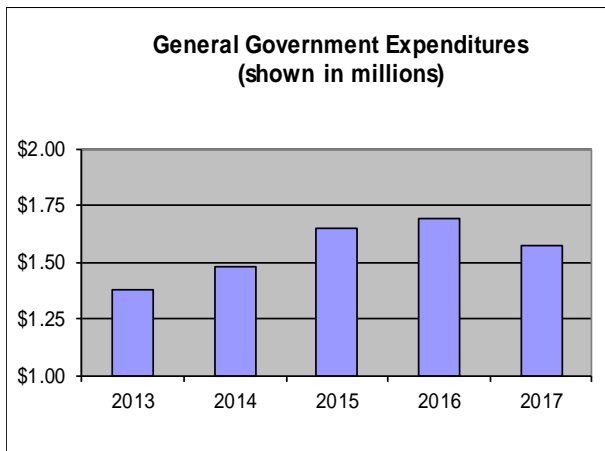
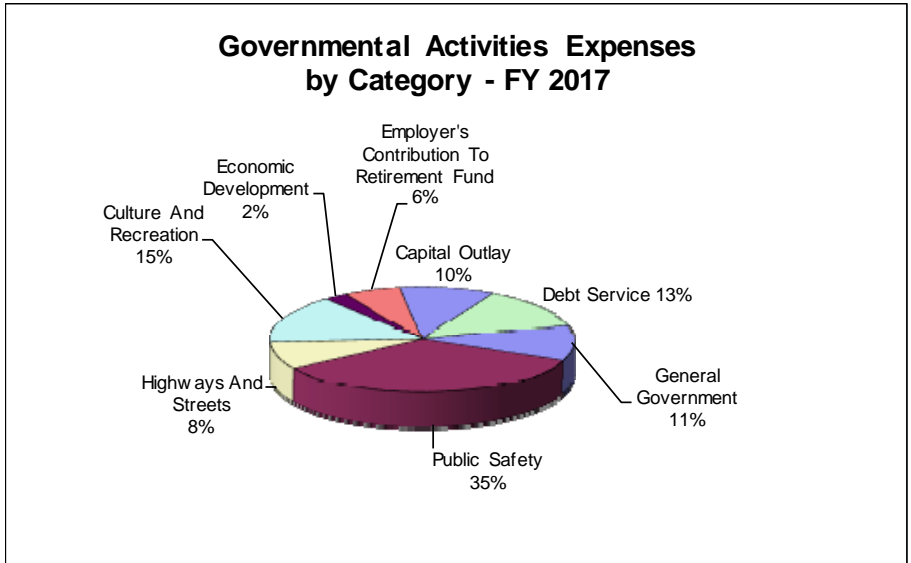
Governmental Activities include all funds except Business-Type Activities and the Police Pension Fiduciary Fund. Examples include the following: General Fund (which includes the Police Dept, Fire Dept, Building and Zoning, General Administration, and PW Admin / Street Dept. among others), Ambulance Fund,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



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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.

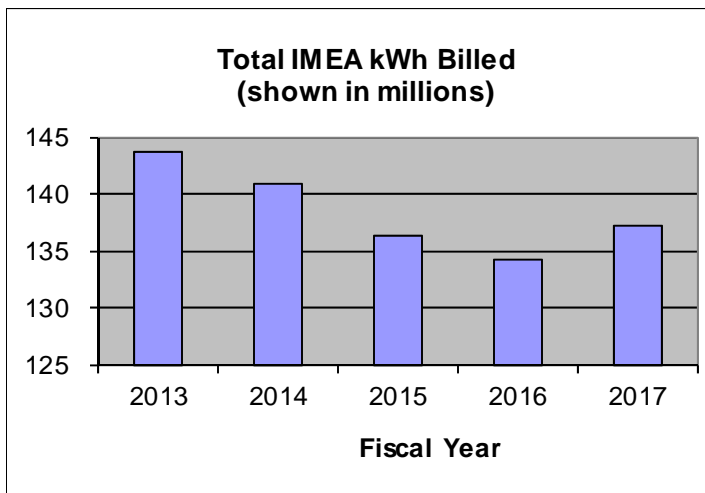
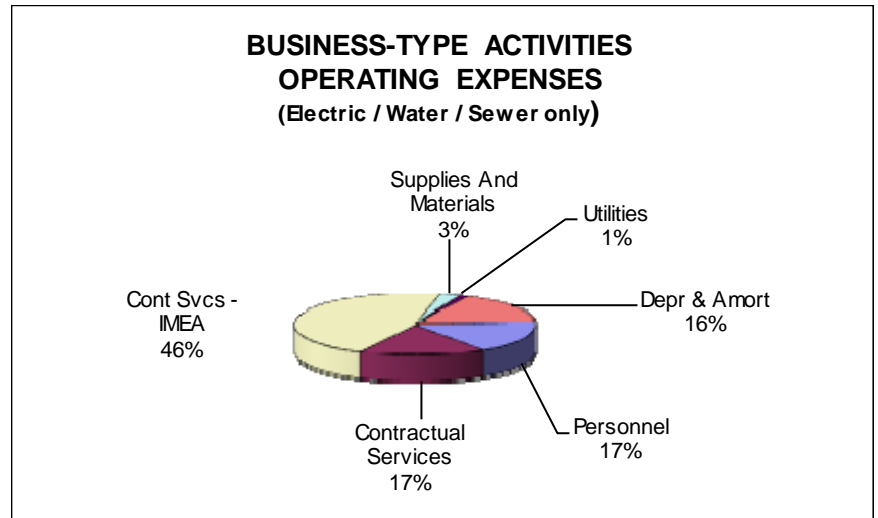
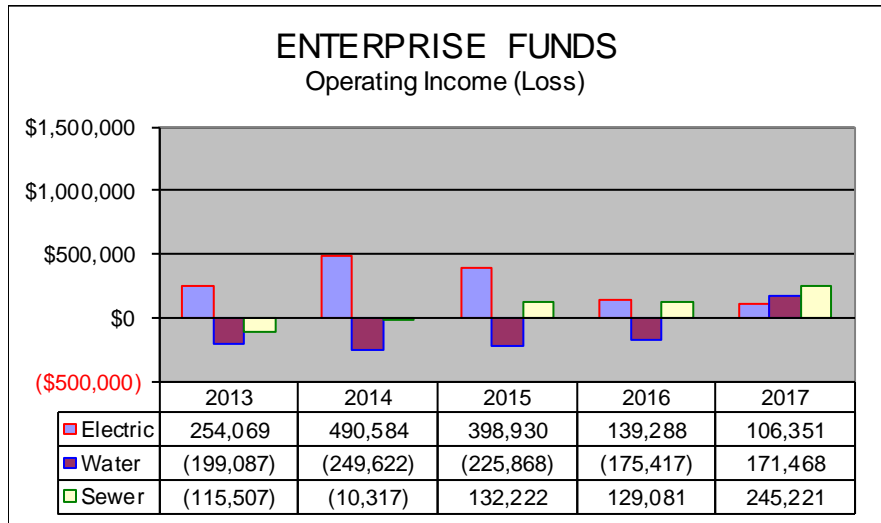


Business-Type Activities

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. The water and sewer funds implemented rate increases in prior years along with an electrical rate increase in January 2017

which allowed the funds to have a positive year. The electric fund also includes expenditures for installation of the new fiber infrastructure and operations.

No major changes were noted among operating expenses of the Electric, Water or Sewer fund. The operating expenses for the three funds listed increase in total by 3%. 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 3.6% during FY '17 due to a partial year of rate increases and additional fiber customers. Total operating expenditures increased by 3.8% due to additional costs for fiber operations included that will be recovered as revenues continue to grow for this endeavor and modest cost increases in items necessary to provide services.

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STATUS OF CITY RESERVES

The governmental funds reported a *combined* fund balance of \$11.5 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 2017, the City had \$85.2 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 2017	2016	Fiscal Year 2017	2016	2017	2016
Land	\$ 7.8	\$ 7.8	\$ 2.1	\$ 2.1	\$ 9.9	\$ 9.9
Construction in Progress	0.7	0.8	1.8	2.9	2.5	3.7
Bldgs & Improvements	4.7	4.8	3.1	3.7	7.8	8.5
Other Improvements	2.9	2.6	6.3	6.8	9.2	9.4
Equipment	1.4	1.3	2.0	2.3	3.4	3.6
Infrastructure	25.6	26.7			25.6	26.7
Lines			23.5	20.8	23.5	20.8
Interconnect			3.3	3.5	3.3	3.5
Totals	\$ 43.1	\$ 44.0	\$ 42.1	\$ 42.1	\$ 85.2	\$ 86.1

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 \$15.6 million is now fully available upon approval of voter referendum approval. Total City debt per capita is approximately \$2,600. 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)

	Governmental Activities		Business-type Activities		Totals	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2017	2016	2017	2016	2017	2016
Revenue Bonds	\$ 10.2	\$ 11.9	\$ 14.1	\$ 14.8	\$ 24.3	\$ 26.7
Notes Payable	0.2		0.4	0.9	0.6	0.9
Maintenance Agreements Payable			0.6	0.7	0.6	0.7
Totals	\$ 10.4	\$ 11.9	\$ 15.1	\$ 16.4	\$ 25.5	\$ 28.3

CURRENT EVENTS AND NEXT YEAR'S BUDGET

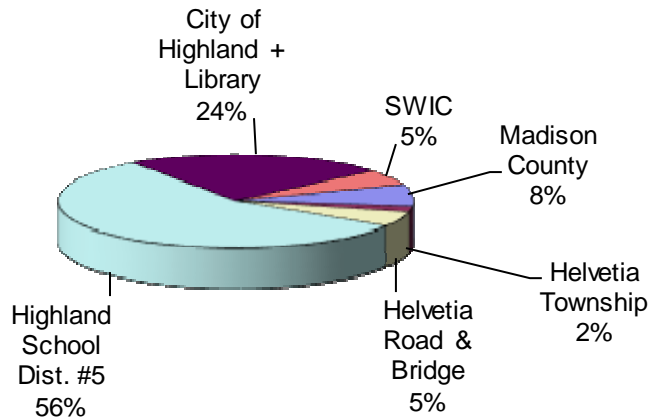
The City of Highland has taken an aggressive approach towards managing the growth of the community. The following is a brief description of some of the actions taken in FY '17, with a brief look ahead into FY '18

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. A new park was created and is being utilized by our citizens and walking and trails continue to be added for the benefit of our citizens. The Fiber-to-the-Premise (FTTP) project continues to gain customers in the available service areas. 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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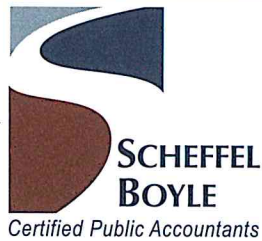
As of April 2017, the City's Equalized Assessed Value increased 1.57% to a total of \$180.4 million. The EAV is used in conjunction with the 2016 Property Tax Levy for the collection of property taxes during FY 2017-2018. The City of Highland's property tax rate for 2016 represents 24% of the total property 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.



CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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.



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON

INDEPENDENT AUDITOR'S REPORT

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 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, 2017, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Highland, Illinois, as of April 30, 2017, 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 and required supplementary information, as referred to in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge 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 2016 financial statements, and in our report dated October 6, 2016, we expressed a unqualified opinion on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections 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
September 22, 2017

CITY OF HIGHLAND, ILLINOIS
STATEMENTS OF NET POSITION

	PRIMARY GOVERNMENT						COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL		INDUSTRIAL DEVELOPMENT COMMISSION
	APRIL 30,		APRIL 30,		APRIL 30,		
	2017	2016	2017	2016	2017	2016	2017
ASSETS							
Current Assets:							
Cash and Investments	\$ 9,861,338	\$ 9,268,353	\$ 7,516,226	\$ 8,260,429	\$ 17,377,564	\$ 17,528,782	\$ 34,690
Receivables (Net, Where Applicable of Allowance for Uncollectibles):							
Property Taxes	3,666,675	3,630,488			3,666,675	3,630,488	
Replacement Tax Receivable	28,756	27,907			28,756	27,907	
Accounts Receivable	1,027,976	933,892	783,902	846,929	1,811,878	1,780,821	
Income Tax Receivable	190,502	330,399			190,502	330,399	
Sales Tax Receivable	656,323	639,285			656,323	639,285	
Unbilled Revenue			1,366,410	1,251,773	1,366,410	1,251,773	
Due from Other Fund	(61,136)	(61,136)	61,136	61,136	0	0	
Other	113,032	121,587	21,939	22,026	134,971	143,613	40,751
Prepaid Expenses	249,098	268,887	231,726	239,167	480,824	508,054	
Restricted Assets:							
Cash and Investments	68,785	70,457	60,222	64,246	129,007	134,703	
Capital Assets (Net of Accumulated Depreciation)	34,532,728	35,437,863	38,274,471	37,178,836	72,807,199	72,616,699	
Land	7,757,958	7,757,958	2,051,199	2,051,199	9,809,157	9,809,157	
Construction in Progress	774,269	845,679	1,761,102	2,882,638	2,535,371	3,728,317	
Other Assets (Net of Accumulated Amortization)	353	543			353	543	
Total Assets	58,866,657	59,272,162	52,128,333	52,858,379	110,994,990	112,130,541	75,441
DEFERRED OUTFLOWS OF RESOURCES							
Related to Pensions - IMRF	1,659,161	2,076,976	1,084,665	1,361,685	2,743,826	3,438,661	
Related to Pensions - Police Pension	2,291,714	1,980,095			2,291,714	1,980,095	
Total Deferred Outflows of Resources	3,950,875	4,057,071	1,084,665	1,361,685	5,035,540	5,418,756	0
Total Assets and Deferred Outflows of Resources	\$ 62,817,532	\$ 63,329,233	\$ 53,212,998	\$ 54,220,064	\$ 116,030,530	\$ 117,549,297	\$ 75,441
LIABILITIES							
Current Liabilities:							
Accounts Payable	\$ 372,652	\$ 460,656	\$ 1,447,360	\$ 1,347,777	\$ 1,820,012	\$ 1,808,433	
Accrued Salaries and Benefits	294,579	260,765	118,094	131,503	412,673	392,268	
Accrued Interest	46,510	55,307	194,359	202,767	240,869	258,074	
Customer Deposits			60,222	64,246	60,222	64,246	
Premium on Revenue Bonds	35,873	48,650	21,745	23,062	57,618	71,712	
Long-Term Liabilities:							
Portion Due or Payable Within One Year:							
Bonds Payable	1,770,000	1,740,000	725,000	705,000	2,495,000	2,445,000	
Notes Payable	42,372		441,515	429,027	483,887	429,027	
Maintenance Agreement Payable			166,853	166,853	166,853	166,853	
Portion Due or Payable After One Year:							
Compensated Absences	724,307	707,045	351,031	372,037	1,075,338	1,079,082	
Net Pension Liability - IMRF	2,417,432	2,909,974	1,607,629	1,925,661	4,025,061	4,835,635	
Net Pension Liability - Police Pension	6,097,339	6,003,947			6,097,339	6,003,947	
Other Post Employment Benefits Payable	340,314	275,243	158,557	132,260	498,871	407,503	
Bonds Payable	8,409,367	10,179,367	13,350,000	14,075,000	21,759,367	24,254,367	
Notes Payable	175,364			441,515	175,364	441,515	
Long-Term Accrued Interest	936,730	793,229			936,730	793,229	
Maintenance Agreement Payable			393,585	560,438	393,585	560,438	
Total Liabilities	21,662,839	23,434,183	19,035,950	20,577,146	40,698,789	44,011,329	0
DEFERRED INFLOWS OF RESOURCES							
Unavailable Property Taxes	3,666,675	3,630,488			3,666,675	3,630,488	
Related to Pensions - IMRF	447,571		293,765		741,336		
Related to Pensions - Police Pension	732,801				732,801		
Total Deferred Inflows of Resources	4,847,047	3,630,488	293,765	0	5,140,812	3,630,488	0
NET POSITION							
Invested in Capital Assets, Net of Related Debt	32,667,852	32,122,133	27,009,819	25,734,840	59,677,671	57,856,973	
Restricted for:							
Special Revenue Purposes	1,878,888	1,786,064			1,878,888	1,786,064	75,441
Other Purposes	143,138	154,942			143,138	154,942	
Long-Term Debt	46,613	48,300	60,222	64,246	106,835	112,546	
Unrestricted	1,571,155	2,153,123	6,813,242	7,843,832	8,384,397	9,996,955	
Total Net Position	36,307,646	36,264,562	33,883,283	33,642,918	70,190,929	69,907,480	75,441
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 62,817,532	\$ 63,329,233	\$ 53,212,998	\$ 54,220,064	\$ 116,030,530	\$ 117,549,297	\$ 75,441

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

CITY OF HIGHLAND, ILLINOIS
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2017

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		
Primary Government:								
Governmental Activities:								
General Government	\$ 1,860,753	\$ 1,656,588	\$ 3,689		\$ (200,476)		\$ (200,476)	
Public Safety	6,103,997	1,227,733	4,164		(4,872,100)		(4,872,100)	
Highways and Streets	2,861,617	3,100	56,885	\$ 169,669	(2,631,963)		(2,631,963)	
Culture and Recreation	2,615,438	1,029,134	48,778	88,920	(1,448,606)		(1,448,606)	
Economic Development	371,256		675		(370,581)		(370,581)	
Employer's Contribution to Retirement Fund	890,866				(890,866)		(890,866)	
Interest on Long-Term Debt	310,322				(310,322)		(310,322)	
Total Governmental Activities	15,014,249	3,916,555	114,191	258,589	(10,724,914)	\$ 0	(10,724,914)	\$ 0
Business-Type Activities:								
Electric	16,500,226	16,038,325				(461,901)	(461,901)	
Water	2,137,841	2,309,309				171,468	171,468	
Sewer	2,140,725	2,281,337				140,612	140,612	
Other Programs	1,533,021	1,616,219				83,198	83,198	
Total Business-Type Activities	22,311,813	22,245,190	0	0	0	(66,623)	(66,623)	0
Total Primary Government	\$ 37,326,062	\$ 26,161,745	\$ 114,191	\$ 258,589	(10,724,914)	(66,623)	(10,791,537)	0
Component Unit:								
Industrial Development								(1,953)
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes					3,702,813		3,702,813	
Intergovernmental					6,263,196		6,263,196	
Gain on Disposal of Capital Assets					57,000		57,000	
Unrealized Appreciation of Investments					8,500		8,500	
Interest and Miscellaneous Income					586,489	456,988	1,043,477	2,400
Transfers					150,000	(150,000)	0	
Total General Revenues					10,767,998	306,988	11,074,986	2,400
Change in Net Position					43,084	240,365	283,449	447
Net Position Beginning					36,264,562	33,642,918	69,907,480	74,994
Net Position Ending					\$ 36,307,646	\$ 33,883,283	\$ 70,190,929	\$ 75,441

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

CITY OF HIGHLAND, ILLINOIS
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2016

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			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 1,939,319	\$ 1,592,534	\$ 5,146		\$ (341,639)		\$ (341,639)	
Public Safety	5,715,958	1,406,642	200		(4,309,116)		(4,309,116)	
Highways and Streets	2,770,296	6,600	182,713	\$ 550,348	(2,030,635)		(2,030,635)	
Culture and Recreation	2,691,471	1,081,275	86,263		(1,523,933)		(1,523,933)	
Economic Development	366,056		200		(365,856)		(365,856)	
Employer's Contribution to Retirement Fund	827,255				(827,255)		(827,255)	
Interest on Long-Term Debt	338,119				(338,119)		(338,119)	
Total Governmental Activities	14,648,474	4,087,051	274,522	550,348	(9,736,553)	\$ 0	(9,736,553)	
Business-Type Activities:								
Electric	15,937,798	15,483,184				(454,614)	(454,614)	
Water	2,203,540	2,028,123				(175,417)	(175,417)	
Sewer	2,128,581	2,138,010				9,429	9,429	
Other Programs	1,517,092	1,597,158				80,066	80,066	
Total Business-Type Activities	21,787,011	21,246,475	0	0	0	(540,536)	(540,536)	
Total Primary Government	\$ 36,435,485	\$ 25,333,526	\$ 274,522	\$ 550,348	(9,736,553)	(540,536)	(10,277,089)	
Component Unit								
Industrial Development								\$ 0
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes					3,652,264		3,652,264	
Intergovernmental					6,513,759		6,513,759	
Gain on Disposal of Capital Assets					1,829		1,829	
Interest and Miscellaneous Income					292,103	371,257	663,360	2,303
Transfers					150,000	(150,000)	0	
Total General Revenues					10,609,955	221,257	10,831,212	2,303
Change in Net Position					873,402	(319,279)	554,123	2,303
Net Position Beginning - Restated					35,391,160	33,962,197	69,353,357	72,691
Net Position Ending					\$ 36,264,562	\$ 33,642,918	\$ 69,907,480	\$ 74,994

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

CITY OF HIGHLAND, ILLINOIS
BALANCE SHEETS
GOVERNMENTAL FUNDS
APRIL 30, 2017

	PRIMARY GOVERNMENT						COMPONENT UNIT
	GENERAL CORPORATE	CITY PROPERTY REPLACEMENT	AMBULANCE	STREET IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	INDUSTRIAL DEVELOPMENT COMMISSION
<u>ASSETS</u>							
Cash and Investments	\$ 2,417,670	\$ 4,678,765	\$ 34,403	\$ 343,050	\$ 2,387,450	\$ 9,861,338	\$ 34,690
Receivables (Net, Where Applicable of Allowance for Uncollectibles):							
Property Taxes	1,222,786		444,157		1,999,732	3,666,675	
Replacement Tax Receivable	19,635		2,792		6,329	28,756	
Accounts Receivable	29,402		998,574			1,027,976	
Income Tax Receivable	190,502					190,502	
Sales Tax Receivable	438,340			217,983		656,323	
Other	67,836	13,547	100	639	30,910	113,032	40,751
Due from Other Fund	10,406	660,000				670,406	
Prepaid Expenses	74,548		8,003		166,547	249,098	
Restricted Cash					68,785	68,785	
Total Assets	\$ 4,471,125	\$ 5,352,312	\$ 1,488,029	\$ 561,672	\$ 4,659,753	\$ 16,532,891	\$ 75,441
<u>LIABILITIES</u>							
Accounts Payable	\$ 323,743		\$ 15,964		\$ 32,945	\$ 372,652	
Accrued Salaries and Benefits	198,101		53,576		42,902	294,579	
Due to Other Fund	131,136			\$ 530,000	70,406	731,542	
Total Liabilities	652,980	\$ 0	69,540	530,000	146,253	1,398,773	\$ 0
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable Property Taxes	1,222,786	0	444,157	0	1,999,732	3,666,675	0
<u>FUND BALANCES</u>							
Nonspendable	74,548		8,003		166,547	249,098	
Restricted	68,590				1,750,951	1,819,541	75,441
Assigned		5,352,312	966,329	31,672	700,579	7,050,892	
Unassigned	2,452,221				(104,309)	2,347,912	
Total Fund Balances	2,595,359	5,352,312	974,332	31,672	2,513,768	11,467,443	75,441
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 4,471,125	\$ 5,352,312	\$ 1,488,029	\$ 561,672	\$ 4,659,753	\$ 16,532,891	\$ 75,441

CITY OF HIGHLAND, ILLINOIS
BALANCE SHEETS
GOVERNMENTAL FUNDS
APRIL 30, 2016

	PRIMARY GOVERNMENT						COMPONENT UNIT
	GENERAL CORPORATE	CITY PROPERTY REPLACEMENT	AMBULANCE	STREET IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	INDUSTRIAL DEVELOPMENT COMMISSION
<u>ASSETS</u>							
Cash and Investments	\$ 2,330,818	\$ 4,463,380	\$ 7,514	\$ 228,363	\$ 2,238,278	\$ 9,268,353	\$ 27,681
Receivables (Net, Where Applicable of Allowance for Uncollectibles):							
Property Taxes	1,234,406		444,031		1,952,051	3,630,488	
Replacement Tax Receivable	19,055		2,710		6,142	27,907	
Accounts Receivable	20,070		913,822			933,892	
Income Tax Receivable	330,399					330,399	
Sales Tax Receivable	421,973			217,312		639,285	
Other	68,522	11,808	20	579	40,658	121,587	47,313
Due from Other Fund	10,406	667,500				677,906	
Prepaid Expenses	67,158		1,634		200,095	268,887	
Restricted Cash					70,457	70,457	
Total Assets	\$ 4,502,807	\$ 5,142,688	\$ 1,369,731	\$ 446,254	\$ 4,507,681	\$ 15,969,161	\$ 74,994
<u>LIABILITIES</u>							
Accounts Payable	\$ 288,176		\$ 17,115	\$ 116,212	\$ 39,153	\$ 460,656	
Accrued Salaries and Benefits	173,612		47,400		39,753	260,765	
Due to Other Fund	131,136			530,000	77,906	739,042	
Total Liabilities	592,924	\$ 0	64,515	646,212	156,812	1,460,463	\$ 0
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable Property Taxes	1,234,406	0	444,031	0	1,952,051	3,630,488	0
<u>FUND BALANCES</u>							
Nonspendable	67,158		1,634		200,095	268,887	
Restricted	87,784				1,632,635	1,720,419	74,994
Assigned		5,142,688	859,551		683,084	6,685,323	
Unassigned	2,520,535			(199,958)	(116,996)	2,203,581	
Total Fund Balances	2,675,477	5,142,688	861,185	(199,958)	2,398,818	10,878,210	74,994
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 4,502,807	\$ 5,142,688	\$ 1,369,731	\$ 446,254	\$ 4,507,681	\$ 15,969,161	\$ 74,994

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, 2017
WITH COMPARATIVE AMOUNTS FOR APRIL 30, 2016

	2017	2016
Total fund balances for governmental funds	\$ 11,467,443	\$ 10,878,210
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	\$ 7,757,958	\$ 7,757,958
Construction in progress	774,269	845,679
Infrastructure, net of accumulated depreciation	25,580,841	26,731,774
Buildings and improvements, net of accumulated depreciation	4,653,693	4,764,806
Other improvements, net of accumulated depreciation	2,929,231	2,625,605
Equipment, net of accumulated depreciation	1,368,963	1,315,678
	43,064,955	44,041,500
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	353	543
Deferred outflows and inflows of resources related to defined benefit pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	3,950,875	4,057,071
Deferred inflows of resources related to pensions	(1,180,372)	
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	\$ (983,240)	\$ (848,536)
Bonds and notes payable	(10,397,103)	(11,919,367)
Bond premium, net of accumulated amortization	(35,873)	(48,650)
Net pension liability	(8,514,771)	(8,913,921)
Other post employment benefits	(340,314)	(275,243)
Compensated absences	(724,307)	(707,045)
	(20,995,608)	(22,712,762)
Total net position of governmental activities	\$ 36,307,646	\$ 36,264,562

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, 2017

	PRIMARY GOVERNMENT					TOTAL GOVERNMENTAL FUNDS	COMPONENT UNIT
	GENERAL CORPORATE	CITY PROPERTY REPLACEMENT	AMBULANCE	STREET IMPROVEMENT	OTHER GOVERNMENTAL FUNDS		INDUSTRIAL DEVELOPMENT COMMISSION
Revenues:							
General Property Taxes	\$ 1,362,365		\$ 442,105		\$ 1,898,343	\$ 3,702,813	
Corporate Personal Property Replacement Taxes	141,800		18,768		50,818	211,386	
Intergovernmental	4,099,705		272,956	\$ 1,409,810	269,339	6,051,810	
Charges for Services	2,360,332		1,170,020		28,801	3,559,153	
Licenses, Permits and Other Taxes	242,861					242,861	
Fines and Forfeitures	18,480				3,606	22,086	
Revenue from Use of Property	92,455					92,455	
Grants	178,078			169,669	1,775	349,522	
Miscellaneous and Interest Income	473,357	\$ 64,624	16,628	7,556	47,582	609,747	\$ 2,400
Total Revenues	<u>8,969,433</u>	<u>64,624</u>	<u>1,920,477</u>	<u>1,587,035</u>	<u>2,300,264</u>	<u>14,841,833</u>	<u>2,400</u>
Expenditures:							
Current-							
General Government	1,227,991				312,832	1,540,823	
Public Safety	3,170,447		1,932,330			5,102,777	
Highways and Streets	1,017,382			3,956	164,123	1,185,461	
Culture and Recreation	1,891,961				321,913	2,213,874	
Economic Development	179,261				176,417	355,678	1,953
Employer's Contribution to Retirement Fund					890,866	890,866	
Capital Outlay	1,271,857		30,000	141,971	24,132	1,467,960	
Debt Service Expenditures-							
Other Debt Service Fees					200	200	
Principal Retirement	403,264			1,160,000	180,000	1,743,264	
Interest and Fixed Charges	29,356			49,478	109,363	188,197	
Total Expenditures	<u>9,191,519</u>	<u>0</u>	<u>1,962,330</u>	<u>1,355,405</u>	<u>2,179,846</u>	<u>14,689,100</u>	<u>1,953</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(222,086)</u>	<u>64,624</u>	<u>(41,853)</u>	<u>231,630</u>	<u>120,418</u>	<u>152,733</u>	<u>447</u>
Other Financing Sources (Uses):							
Note Payable Proceeds	221,000					221,000	
Proceeds from Sale of Capital Assets	57,000					57,000	
Unrealized Appreciation of Investments	8,500					8,500	
Operating Transfers In	415,468	710,000	155,000			1,280,468	
Operating Transfers Out	(560,000)	(565,000)			(5,468)	(1,130,468)	
Total Other Financing Sources (Uses)	<u>141,968</u>	<u>145,000</u>	<u>155,000</u>	<u>0</u>	<u>(5,468)</u>	<u>436,500</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>(80,118)</u>	<u>209,624</u>	<u>113,147</u>	<u>231,630</u>	<u>114,950</u>	<u>589,233</u>	<u>447</u>
Fund Balance, Beginning of Year	<u>2,675,477</u>	<u>5,142,688</u>	<u>861,185</u>	<u>(199,958)</u>	<u>2,398,818</u>	<u>10,878,210</u>	<u>74,994</u>
Fund Balance, End of Year	<u>\$ 2,595,359</u>	<u>\$ 5,352,312</u>	<u>\$ 974,332</u>	<u>\$ 31,672</u>	<u>\$ 2,513,768</u>	<u>\$ 11,467,443</u>	<u>\$ 75,441</u>

CITY OF HIGHLAND, ILLINOIS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

	PRIMARY GOVERNMENT					TOTAL GOVERNMENTAL FUNDS	COMPONENT UNIT INDUSTRIAL DEVELOPMENT COMMISSION
	GENERAL CORPORATE	CITY PROPERTY REPLACEMENT	AMBULANCE	STREET IMPROVEMENT	OTHER GOVERNMENTAL FUNDS		
Revenues:							
General Property Taxes	\$ 1,318,701		\$ 427,712		\$ 1,905,851	\$ 3,652,264	
Corporate Personal Property Replacement Taxes	99,821		12,794		37,275	149,890	
Intergovernmental	4,440,011		262,525	\$ 1,397,348	263,985	6,363,869	
Charges for Services	2,356,641		1,339,639		18,763	3,715,043	
Licenses, Permits and Other Taxes	249,133					249,133	
Fines and Forfeitures	29,817				3,874	33,691	
Revenue from Use of Property	89,184					89,184	
Grants	232,729			550,348	2,241	785,318	
Miscellaneous and Interest Income	162,329	\$ 70,219	9,040	27,373	62,694	331,655	\$ 2,303
Total Revenues	<u>8,978,366</u>	<u>70,219</u>	<u>2,051,710</u>	<u>1,975,069</u>	<u>2,294,683</u>	<u>15,370,047</u>	<u>2,303</u>
Expenditures:							
Current-							
General Government	1,335,459				351,852	1,687,311	
Public Safety	3,096,418		2,012,130			5,108,548	
Highways and Streets	927,059			33,946	213,409	1,174,414	
Culture and Recreation	1,946,620				353,342	2,299,962	
Economic Development	310,318				44,135	354,453	
Employer's Contribution to Retirement Fund					827,255	827,255	
Capital Outlay	2,255,357		18,750	2,069,245	62,967	4,406,319	
Debt Service Expenditures-							
Other Debt Service Fees					200	200	
Principal Retirement	400,000			1,115,000	175,000	1,690,000	
Interest and Fixed Charges	31,319			71,778	112,863	215,960	
Total Expenditures	<u>10,302,550</u>	<u>0</u>	<u>2,030,880</u>	<u>3,289,969</u>	<u>2,141,023</u>	<u>17,764,422</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,324,184)</u>	<u>70,219</u>	<u>20,830</u>	<u>(1,314,900)</u>	<u>153,660</u>	<u>(2,394,375)</u>	<u>2,303</u>
Other Financing Sources (Uses):							
Proceeds from Sale of Capital Assets	6,500					6,500	
Operating Transfers In	1,534,530	254,000				1,788,530	
Operating Transfers Out	(104,000)	(1,529,000)			(5,530)	(1,638,530)	
Total Other Financing Sources (Uses)	<u>1,437,030</u>	<u>(1,275,000)</u>	<u>0</u>	<u>0</u>	<u>(5,530)</u>	<u>156,500</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>112,846</u>	<u>(1,204,781)</u>	<u>20,830</u>	<u>(1,314,900)</u>	<u>148,130</u>	<u>(2,237,875)</u>	<u>2,303</u>
Fund Balance, Beginning 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>
Fund Balance, End of Year	<u>\$ 2,675,477</u>	<u>\$ 5,142,688</u>	<u>\$ 861,185</u>	<u>\$ (199,958)</u>	<u>\$ 2,398,818</u>	<u>\$ 10,878,210</u>	<u>\$ 74,994</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, 2017
WITH COMPARATIVE AMOUNTS FOR APRIL 30, 2016

	2017	2016
Net change in fund balances - total governmental funds	\$ 589,233	\$ (2,237,875)
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 depreciation expense exceeded capital outlay in the current period.	(976,545)	2,188,871
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.	12,587	12,586
In the statement of activities, only the gain on the disposal of the capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase the financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.		(4,672)
Proceeds from new notes payable are recorded as revenues in the governmental funds but increase liabilities in the statement of net position.	(221,000)	
Some expenses, including accrued interest and compensated absences, 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.	(151,966)	(162,715)
Governmental funds report defined benefit pension contributions as expenditures. However in the Statement of Activities, the cost of defined benefit pension benefits earned net of employee contributions is reported as pension expense.	(887,418)	(570,427)
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.	(65,071)	(42,366)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	1,743,264	1,690,000
Change in net position of governmental activities	\$ 43,084	\$ 873,402

CITY OF HIGHLAND, ILLINOIS
BALANCE SHEETS
ENTERPRISE FUNDS
APRIL 30, 2017

<u>ASSETS</u>	LIGHT AND POWER	WATER	SEWER	SOLID WASTE	TOTALS
Current Assets:					
Cash and Investments	\$ 2,384,123	\$ 2,291,567	\$ 2,307,278	\$ 533,258	\$ 7,516,226
Receivables:					
Accounts	545,911	78,452	82,313	77,226	783,902
Due from Other Funds	61,136				61,136
Unbilled Revenue	916,121	182,213	162,375	105,701	1,366,410
Other Receivable	7,078	6,636	6,681	1,544	21,939
Other Current Assets	160,733	36,968	34,025		231,726
Total Current Assets	4,075,102	2,595,836	2,592,672	717,729	9,981,339
Restricted Assets:					
Cash and Investments	60,222				60,222
Capital Assets (Net of Accumulated Depreciation)	28,984,827	7,783,090	5,318,855		42,086,772
Total Noncurrent Assets	29,045,049	7,783,090	5,318,855	0	42,146,994
Total Assets	33,120,151	10,378,926	7,911,527	717,729	52,128,333
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Related to Pensions	677,094	216,328	191,243		1,084,665
Total Assets and Deferred Outflows of Resources	\$ 33,797,245	\$ 10,595,254	\$ 8,102,770	\$ 717,729	\$ 53,212,998
<u>LIABILITIES</u>					
Current Liabilities (Payable from Current Assets):					
Accounts Payable	\$ 1,087,547	\$ 211,812	\$ 26,932	\$ 121,069	\$ 1,447,360
Accrued Interest Payable			9,124		9,124
Current Portion Notes Payable			441,515		441,515
Current Portion Maintenance Agreement Payable		166,853			166,853
Accrued Salaries and Benefits	62,966	30,284	24,844		118,094
Premium on Revenue Bonds			21,745		21,745
Total Current Liabilities (Payable from Current Assets)	1,150,513	408,949	524,160	121,069	2,204,691
Current Liabilities (Payable from Restricted Assets):					
Customer Deposits	60,222				60,222
Current Portion Revenue Bonds	610,000		115,000		725,000
Accrued Interest on Revenue Bonds	185,235				185,235
Total Current Liabilities (Payable from Restricted Assets)	855,457	0	115,000	0	970,457
Long-Term Liabilities:					
Revenue Bonds (Net of Current Portion)	11,005,000		2,345,000		13,350,000
Maintenance Agreement Payable (Net of Current Portion)		393,585			393,585
Compensated Absences	196,540	87,906	66,585		351,031
Net Pension Liability	1,004,567	296,696	306,366		1,607,629
Other Post Employment Benefits Payable	96,681	30,938	30,938		158,557
Total Long-Term Liabilities	12,302,788	809,125	2,748,889	0	15,860,802
Total Liabilities	14,308,758	1,218,074	3,388,049	121,069	19,035,950
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Related to Pensions	183,566	54,216	55,983		293,765
<u>NET POSITION</u>					
Net Investment in Capital Assets, Net of Related Debt	17,369,827	7,222,652	2,417,340		27,009,819
Restricted For Long Term Debt	60,222				60,222
Unrestricted	1,874,872	2,100,312	2,241,398	596,660	6,813,242
Total Net Position	19,304,921	9,322,964	4,658,738	596,660	33,883,283
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 33,797,245	\$ 10,595,254	\$ 8,102,770	\$ 717,729	\$ 53,212,998

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

CITY OF HIGHLAND, ILLINOIS
BALANCE SHEETS
ENTERPRISE FUNDS
APRIL 30, 2016

<u>ASSETS</u>	LIGHT AND POWER	WATER	SEWER	SOLID WASTE	TOTALS
Current Assets:					
Cash and Investments	\$ 2,730,115	\$ 2,829,398	\$ 2,278,628	\$ 422,288	\$ 8,260,429
Receivables:					
Accounts	582,376	94,845	77,338	92,370	846,929
Due from Other Funds	61,136				61,136
Unbilled Revenue	827,172	157,073	159,052	108,476	1,251,773
Other Receivable	7,394	7,486	6,029	1,117	22,026
Other Current Assets	165,118	38,683	35,366		239,167
Total Current Assets	<u>4,373,311</u>	<u>3,127,485</u>	<u>2,556,413</u>	<u>624,251</u>	<u>10,681,460</u>
Restricted Assets:					
Cash and Investments	64,246				64,246
Fixed Assets (Net of Accumulated Depreciation)	29,299,118	6,995,154	5,818,401		42,112,673
Total Noncurrent Assets	<u>29,363,364</u>	<u>6,995,154</u>	<u>5,818,401</u>	<u>0</u>	<u>42,176,919</u>
Total Assets	<u>33,736,675</u>	<u>10,122,639</u>	<u>8,374,814</u>	<u>624,251</u>	<u>52,858,379</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Related to Pensions	848,602	305,002	208,081		1,361,685
Total Assets and Deferred Outflows of Resources	<u>\$ 34,585,277</u>	<u>\$ 10,427,641</u>	<u>\$ 8,582,895</u>	<u>\$ 624,251</u>	<u>\$ 54,220,064</u>
<u>LIABILITIES</u>					
Current Liabilities (Payable from Current Assets):					
Accounts Payable	\$ 963,935	\$ 48,670	\$ 217,490	\$ 117,682	\$ 1,347,777
Accrued Interest Payable			11,384		11,384
Current Portion Note Payable			429,027		429,027
Current Portion Maintenance Agreement Payable		166,853			166,853
Accrued Salaries and Benefits	78,373	26,350	26,780		131,503
Premium on Revenue Bonds			23,062		23,062
Total Current Liabilities (Payable from Current Assets)	<u>1,042,308</u>	<u>241,873</u>	<u>707,743</u>	<u>117,682</u>	<u>2,109,606</u>
Current Liabilities (Payable from Restricted Assets):					
Customer Deposits	64,246				64,246
Current Portion Revenue Bonds	595,000		110,000		705,000
Accrued Interest on Revenue Bonds	191,383				191,383
Total Current Liabilities (Payable from Restricted Assets)	<u>850,629</u>	<u>0</u>	<u>110,000</u>	<u>0</u>	<u>960,629</u>
Long-Term Liabilities:					
Revenue Bonds (Net of Current Portion)	11,615,000		2,460,000		14,075,000
Note Payable (Net of Current Portion)			441,515		441,515
Maintenance Agreement Payable (Net of Current Portion)		560,438			560,438
Compensated Absences	230,147	80,127	61,763		372,037
Net Pension Liability	1,200,071	431,327	294,263		1,925,661
Other Post Employment Benefits Payable	71,492	35,746	25,022		132,260
Total Long-Term Liabilities	<u>13,116,710</u>	<u>1,107,638</u>	<u>3,282,563</u>	<u>0</u>	<u>17,506,911</u>
Total Liabilities	<u>15,009,647</u>	<u>1,349,511</u>	<u>4,100,306</u>	<u>117,682</u>	<u>20,577,146</u>
<u>NET POSITION</u>					
Net Investment in Capital Assets, Net of Related Debt	17,089,118	6,267,863	2,377,859		25,734,840
Restricted for Long Term Debt	64,246				64,246
Unrestricted	2,422,266	2,810,267	2,104,730	506,569	7,843,832
Total Net Position	<u>19,575,630</u>	<u>9,078,130</u>	<u>4,482,589</u>	<u>506,569</u>	<u>33,642,918</u>
Total Liabilities and Net Position	<u>\$ 34,585,277</u>	<u>\$ 10,427,641</u>	<u>\$ 8,582,895</u>	<u>\$ 624,251</u>	<u>\$ 54,220,064</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, 2017

	LIGHT AND POWER	WATER	SEWER	SOLID WASTE	TOTALS
Operating Revenues:					
Charges for Services	\$ 16,024,579	\$ 2,275,644	\$ 2,207,148	\$ 1,616,219	\$ 22,123,590
Connection Fees	13,746	33,665	74,189		121,600
Total Operating Revenues	<u>16,038,325</u>	<u>2,309,309</u>	<u>2,281,337</u>	<u>1,616,219</u>	<u>22,245,190</u>
Operating Expenses:					
Personnel Services	1,831,614	827,065	727,521		3,386,200
Contractual Services	2,661,797	348,181	442,710	1,529,214	4,981,902
Purchase Power (Less Generating Capacity Credit)	9,208,999				9,208,999
Supplies and Materials	228,840	219,771	92,540	3,807	544,958
Utilities	106,134	104,350	3,851		214,335
Depreciation and Amortization	1,894,590	638,474	769,494		3,302,558
Total Operating Expenses	<u>15,931,974</u>	<u>2,137,841</u>	<u>2,036,116</u>	<u>1,533,021</u>	<u>21,638,952</u>
Operating Income	<u>106,351</u>	<u>171,468</u>	<u>245,221</u>	<u>83,198</u>	<u>606,238</u>
Non-Operating Revenues (Expenses):					
Interest Income	35,035	34,867	30,302	6,893	107,097
Miscellaneous	306,157	38,499	5,235		349,891
Interest Expense	(568,002)		(104,459)		(672,461)
Service Charges	(250)		(150)		(400)
Total Non-Operating Revenues (Expenses)	<u>(227,060)</u>	<u>73,366</u>	<u>(69,072)</u>	<u>6,893</u>	<u>(215,873)</u>
Income (Loss) Before Operating Transfers	(120,709)	244,834	176,149	90,091	390,365
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	(270,709)	244,834	176,149	90,091	240,365
Total Net Position, Beginning of Year - Restated	<u>19,575,630</u>	<u>9,078,130</u>	<u>4,482,589</u>	<u>506,569</u>	<u>33,642,918</u>
Total Net Position, End of Year	<u>\$ 19,304,921</u>	<u>\$ 9,322,964</u>	<u>\$ 4,658,738</u>	<u>\$ 596,660</u>	<u>\$ 33,883,283</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, 2016

	LIGHT AND POWER	WATER	SEWER	SOLID WASTE	TOTALS
Operating Revenues:					
Charges for Services	\$ 15,465,809	\$ 2,001,861	\$ 2,094,223	\$ 1,597,158	\$ 21,159,051
Connection Fees	17,375	26,262	43,787		87,424
Total Operating Revenues	<u>15,483,184</u>	<u>2,028,123</u>	<u>2,138,010</u>	<u>1,597,158</u>	<u>21,246,475</u>
Operating Expenses:					
Personnel Services	1,810,837	895,835	755,458		3,462,130
Contractual Services	2,442,665	338,652	460,991	1,517,092	4,759,400
Purchase Power (Less Generating Capacity Credit)	8,981,405				8,981,405
Supplies and Materials	314,293	236,815	100,208		651,316
Utilities	106,518	112,736	4,286		223,540
Depreciation and Amortization	1,688,178	619,502	687,986		2,995,666
Total Operating Expenses	<u>15,343,896</u>	<u>2,203,540</u>	<u>2,008,929</u>	<u>1,517,092</u>	<u>21,073,457</u>
Operating Income (Loss)	<u>139,288</u>	<u>(175,417)</u>	<u>129,081</u>	<u>80,066</u>	<u>173,018</u>
Non-Operating Revenues (Expenses):					
Interest Income	42,646	35,941	22,794	4,711	106,092
Miscellaneous	199,580	64,107	1,478		265,165
Interest Expense	(593,433)		(119,502)		(712,935)
Service Charges	(469)		(150)		(619)
Total Non-Operating Revenues (Expenses)	<u>(351,676)</u>	<u>100,048</u>	<u>(95,380)</u>	<u>4,711</u>	<u>(342,297)</u>
Income (Loss) Before Operating Transfers	(212,388)	(75,369)	33,701	84,777	(169,279)
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	(362,388)	(75,369)	33,701	84,777	(319,279)
Total Net Position, Beginning of Year - Restated	<u>19,938,018</u>	<u>9,153,499</u>	<u>4,448,888</u>	<u>421,792</u>	<u>33,962,197</u>
Total Net Position, End of Year	<u>\$ 19,575,630</u>	<u>\$ 9,078,130</u>	<u>\$ 4,482,589</u>	<u>\$ 506,569</u>	<u>\$ 33,642,918</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, 2017

	LIGHT AND POWER	WATER	SEWER	SOLID WASTE	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 16,296,384	\$ 2,340,776	\$ 2,279,615	\$ 1,637,525	\$ 22,554,300
Cash Payments for Goods and Services	(12,086,432)	(509,160)	(729,809)	(1,533,021)	(14,858,422)
Cash Payments to Employees	(1,695,870)	(811,901)	(633,795)		(3,141,566)
Net Cash Provided by Operating Activities	<u>2,514,082</u>	<u>1,019,715</u>	<u>916,011</u>	<u>104,504</u>	<u>4,554,312</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
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>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest Paid	(574,151)		(106,719)		(680,870)
Payments for Capital Acquisitions	(1,580,298)	(1,426,410)	(269,948)		(3,276,656)
Repayments of Loans	(595,000)	(166,853)	(539,027)		(1,300,880)
Amortization of Bond Premium			(1,317)		(1,317)
Net Cash Used by Capital and Related Financing Activities	<u>(2,749,449)</u>	<u>(1,593,263)</u>	<u>(917,011)</u>	<u>0</u>	<u>(5,259,723)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Receipts of Interest	35,351	35,717	29,650	6,466	107,184
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(350,016)	(537,831)	28,650	110,970	(748,227)
CASH AND INVESTMENTS, BEGINNING OF YEAR	2,794,361	2,829,398	2,278,628	422,288	8,324,675
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 2,444,345</u>	<u>\$ 2,291,567</u>	<u>\$ 2,307,278</u>	<u>\$ 533,258</u>	<u>\$ 7,576,448</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income	\$ 106,351	\$ 171,468	\$ 245,221	\$ 83,198	\$ 606,238
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:					
Depreciation and Amortization Expense	1,894,590	638,474	769,494		3,302,558
Miscellaneous Revenues	306,157	38,499	5,235		349,891
Service Charges	(250)		(150)		(400)
(Increase) Decrease in Accounts Receivables	36,465	16,393	(4,975)	15,144	63,027
(Increase) Decrease in Unbilled Revenue	(88,949)	(25,140)	(3,323)	2,775	(114,637)
Decrease in Prepaid Expenses	4,385	1,715	1,341		7,441
Decrease in Deferred Outflows Related to Pensions	171,508	88,674	16,838		277,020
Increase (Decrease) in Accounts Payable	123,612	163,142	(190,558)	3,387	99,583
Increase (Decrease) in Accrued Salaries and Benefits	(15,407)	3,934	(1,936)		(13,409)
Increase (Decrease) in Compensated Absences	(33,607)	7,779	4,822		(21,006)
Decrease in Customer Deposits	(4,024)				(4,024)
Increase (Decrease) in Other Post Employment Benefits	25,189	(4,808)	5,916		26,297
Increase (Decrease) in Net Pension Liability	(195,504)	(134,631)	12,103		(318,032)
Increase in Deferred Inflows Related to Pensions	183,566	54,216	55,983		293,765
Total Adjustments	<u>2,407,731</u>	<u>848,247</u>	<u>670,790</u>	<u>21,306</u>	<u>3,948,074</u>
Net Cash Provided by Operating Activities	<u>\$ 2,514,082</u>	<u>\$ 1,019,715</u>	<u>\$ 916,011</u>	<u>\$ 104,504</u>	<u>\$ 4,554,312</u>

CITY OF HIGHLAND, ILLINOIS
STATEMENTS OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

	LIGHT AND POWER	WATER	SEWER	SOLID WASTE	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 15,695,148	\$ 2,045,194	\$ 2,134,882	\$ 1,594,586	\$ 21,469,810
Cash Payments for Goods and Services	(11,968,517)	(697,531)	(969,520)	(1,520,493)	(15,156,061)
Cash Payments to Employees	(1,666,437)	(854,223)	(704,347)		(3,225,007)
Net Cash Provided by Operating Activities	2,060,194	493,440	461,015	74,093	3,088,742
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Repayment of Loans from Other Funds	(147,051)				(147,051)
Net Cash Used by Non-Capital Financing Activities	(147,051)	0	0	0	(147,051)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest Paid	(605,257)		(121,713)		(726,970)
Payments for Capital Acquisitions	(1,858,051)	(917,436)	(875,887)		(3,651,374)
Repayments of Loans	(825,000)	473,143	(526,891)		(878,748)
Amortization of Bond Premium			(1,318)		(1,318)
Net Cash Used by Capital and Related Financing Activities	(3,288,308)	(444,293)	(1,525,809)	0	(5,258,410)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Receipts of Interest	41,658	32,705	21,931	4,127	100,421
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(1,333,507)	81,852	(1,042,863)	78,220	(2,216,298)
CASH AND INVESTMENTS, BEGINNING OF YEAR	4,127,868	2,747,546	3,321,491	344,068	10,540,973
CASH AND INVESTMENTS, END OF YEAR	\$ 2,794,361	\$ 2,829,398	\$ 2,278,628	\$ 422,288	\$ 8,324,675
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 139,288	\$ (175,417)	\$ 129,081	\$ 80,066	\$ 173,018
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation and Amortization Expense	1,688,178	619,502	687,986		2,995,666
Miscellaneous Revenues	199,580	64,107	1,478		265,165
Service Charges			(150)		(150)
Increase in Accounts Receivables	(58,472)	(37,075)	(714)	(3,797)	(100,058)
(Increase) Decrease in Unbilled Revenue	70,856	(9,961)	(3,892)	1,225	58,228
Increase in Prepaid Expenses	(32,710)	(8,574)	(7,671)		(48,955)
Increase in Deferred Outflows Related to Pensions	(461,373)	(165,825)	(113,131)		(740,329)
Decrease in Accounts Payable	(88,918)	(755)	(396,214)	(3,401)	(489,288)
Increase in Accrued Salaries and Benefits	11,203	774	6,172		18,149
Increase (Decrease) in Compensated Absences	(25,660)	(17,805)	4,834		(38,631)
Decrease in Customer Deposits	(2,008)				(2,008)
Increase in Other Post Employment Benefits	11,005	5,502	3,851		20,358
Increase in Net Pension Liability	609,225	218,967	149,385		977,577
Total Adjustments	1,920,906	668,857	331,934	(5,973)	2,915,724
Net Cash Provided by Operating Activities	\$ 2,060,194	\$ 493,440	\$ 461,015	\$ 74,093	\$ 3,088,742

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>		2017	2016
Cash		\$ 639,630	\$ 257,316
Receivables:			
Property Taxes, Current Year Levy		551,859	420,408
Interest Receivable		16,050	13,172
Total Receivables		<u>567,909</u>	<u>433,580</u>
Investments:			
Certificates of Deposit and Interest Bearing Accounts		2,173,960	2,527,976
Municipal Bonds		3,044,004	2,618,606
Mutual Funds		4,577,958	4,390,917
Total Investments		<u>9,795,922</u>	<u>9,537,499</u>
Other Assets		97,079	73,072
Total Assets		<u>\$ 11,100,540</u>	<u>\$ 10,301,467</u>
<u>LIABILITIES</u>			
Accounts Payable		\$ 0	\$ 796
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Property Taxes		551,859	420,408
<u>NET POSITION</u>			
Net Position Held in Trust for Pension Benefits and Other Purposes		<u>10,548,681</u>	<u>9,880,263</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position		<u>\$ 11,100,540</u>	<u>\$ 10,301,467</u>

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

CITY OF HIGHLAND, ILLINOIS
STATEMENTS OF CHANGES IN NET POSITION
FIDUCIARY FUND

	POLICEMEN'S PENSION TRUST FUND YEARS ENDED APRIL 30,	
	2017	2016
Additions:		
General Property Taxes:		
Real Estate	\$ 418,582	\$ 425,236
Intergovernmental:		
Corporate Personal Property Replacement Tax	6,900	6,900
Miscellaneous:		
Interest	134,957	121,637
Employee Contributions	150,130	158,168
Net Realized/Unrealized Appreciation (Depreciation) of Investments	595,805	(163,336)
Total Additions	1,306,374	548,605
Deductions:		
Benefit Payments	593,024	637,196
Administration	12,221	35,381
Amortization	32,711	16,366
Total Deductions	637,956	688,943
Increase (Decrease) in Net Position	668,418	(140,338)
Net Position, Beginning of Year - Restated	9,880,263	10,020,601
Net Position, End of Year	\$ 10,548,681	\$ 9,880,263

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, 2017

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, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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.

(ii) 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, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (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.

(iii) 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.

(a) 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, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) 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.

(iv) 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.

(v) 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 \$643,528 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 \$724,307 for payments to qualified employees of the governmental activities and \$351,031 for payments to qualified employees of the business-type activities.

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

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.

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, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) 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.

(I) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period, and therefore, will not be recognized as an outflow of resources until that time. The government wide statements report deferred outflows of resources related to the pension plans. This deferred outflow represents the combination of changes in assumptions and the difference between projected and actual earnings on pension plan investments to be recognized in a future period.

In addition to liabilities, the statement of financial position and balance sheet 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 and related to pension plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(J) 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.

CITY OF HIGHLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED APRIL 30, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(K) 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, 2017 and 2016.

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.

(L) 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.

(M) RESTATEMENT OF BEGINNING NET POSITION

The City contracted with the Illinois Municipal Electric Agency to construct a 138 kV electric transmission line in a prior year. The ownership for this line was transferred to the City in a prior year. However, the asset for this line was not created at that time. To correctly record this asset, a restatement of Net Position for the Light and Power Fund is required. The effect of this restatement is presented in the following schedule.

	<u>Light and Power</u>
Net Position, as Previously Reported	\$ 15,144,682
Asset, Less Depreciation	4,793,336
Net Position, as Restated	\$ 19,938,018

CITY OF HIGHLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED APRIL 30, 2017

NOTE 2. CHANGES IN ACCOUNTING PRINCIPLES

During the fiscal year ended April 30, 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. During the fiscal year ended April 30, 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles*. During the fiscal year ended April 30, 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*.

NOTE 3. CASH AND INVESTMENTS

Cash and investments as of April 30, 2017, including fiduciary funds, are classified in the accompanying financial statements as follows:

	Primary Government	Component Unit
Total Cash	\$ 7,214,562	\$ 34,690
Illinois Funds	426,781	
Total Investments	20,300,780	
Total	\$ 27,942,123	\$ 34,690

Cash includes \$850 of cash on-hand and \$7,213,712 of deposits with financial institutions for the primary government and \$34,690 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.

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

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.

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, 2017

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following table presents the fair value hierarchy for the balances of the investments of the City's Governmental Funds measured at fair value on a recurring basis as of April 30, 2017:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit - Negotiable	\$ 4,151,500			\$ 4,151,500
Mutual Funds	7,042			7,042
	<u>\$ 4,158,542</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,158,542</u>

The following table presents the fair value hierarchy for the balances of the investments of the City's Police Pension Fund measured at fair value on a recurring basis as of April 30, 2017:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit - Negotiable	\$ 1,420,960			\$ 1,420,960
Municipal Bonds	3,044,004			3,044,004
Mutual Funds	4,577,958			4,577,958
	<u>\$ 9,042,922</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,042,922</u>

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The assets measured at fair value for both the Governmental Funds and the Police Pension Fund are valued at the closing price reported on the active market on which the individual securities are traded.

(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.

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

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, 2017 the City had the following investments and maturities:

Investment Type	Fair Value	12 Months or Less	13-36 Months	37-60 Months	> 60 Months
Certificates of Deposit	\$ 12,671,776	\$ 4,201,123	\$ 6,204,263	\$ 1,921,118	\$ 345,272
Municipal Bonds	3,044,004		151,006	238,940	2,654,058
Mutual Funds	4,585,000	4,585,000			
Total	<u>\$ 20,300,780</u>	<u>\$ 8,786,123</u>	<u>\$ 6,355,269</u>	<u>\$ 2,160,058</u>	<u>\$ 2,999,330</u>

(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 balance 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, 2017, the balance in the City's state investment pool was \$426,781.

The City's cash deposits, including the fiduciary fund, at April 30, 2017 consisted of the following:

<u>Depository Account</u>	Primary Government Bank Balance	Component Unit Bank Balance
Insured	\$ 13,450,075	\$ 34,690
Collateralized:		
Held by pledging bank's trust department in the City's name	6,914,232	
Total Deposits	<u>\$ 20,364,307</u>	<u>\$ 34,690</u>

CITY OF HIGHLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED APRIL 30, 2017

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

(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:

Issuer	Investment Type	Reported Amount
FCB Highland Bank	Certificates of Deposit	\$ 1,179,447

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 2016 levy was passed by the Council on December 19, 2016. Property taxes attach as an enforceable lien on property as of January 1, and are payable in four installments for 2017: July 6, September 6, October 6, and December 6. The County has not mailed tax bills as of April 30, 2017. 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, 2017 and is expected to be collected soon enough after April 30, 2017 to be used to pay liabilities by June 30, 2017 (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, 2017

NOTE 5. PROPERTY TAXES (CONTINUED)

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

	MAXIMUM							
	LEVY	2016	2015	2014	2013	2012	2011	2010
General Government	.3330	0.3279	0.3330	0.3220	0.3330	.3312	.3330	.3330
Police Protection	.0750	0.0739	0.0750	0.0726	0.0750	.0746	.0750	.0750
Fire Protection	.0750	0.0739	0.0750	0.0726	0.0750	.0746	.0750	.0750
Playground & Rec	.0900	0.0887	0.0900	0.0871	0.0900	.0895	.0900	.0900
Band	.0400	0.0255	0.0259	0.0259	0.0259	.0254	.0257	.0252
Social Security		0.2495	0.2619	0.2587	0.2099	.2040	.1994	.2055
Retirement		0.2495	0.2787	0.2756	0.2212	.2150	.2021	.2007
Liability Insurance		0.1636	0.1295	0.1294	0.1673	.1627	.1611	.1241
Crossing Guards	.0200	0.0056	0.0070	0.0068	0.0069	.0067	.0069	.0057
Audit		0.0089	0.0096	0.0096	0.0100	.0100	.0110	.0108
Municipal Ambulance	.2500	0.2462	0.2500	0.2418	0.2481	.2411	.2389	.2302
Community Building	.0750	0.0739	0.0750	0.0726	0.0750	.0746	.0750	.0750
Police Pension		0.3059	0.2367	0.2404	0.2324	.2200	.1826	.1627
Library	.1500	0.1477	0.1500	0.1451	0.1500	.1492	.1500	.1500
Library Liability Ins.		0.0183	0.0189	0.0175	0.0176	.0193	.0170	.0229
Public Comfort Station	.0333	0.0084	0.0141	0.0141	0.0171	.0124	.0126	.0124
TOTAL		<u>2.0674</u>	<u>2.0303</u>	<u>1.9918</u>	<u>1.9544</u>	<u>1.9103</u>	<u>1.8553</u>	<u>1.7982</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, 2017

NOTE 6. CAPITAL ASSETS

Summary of capital assets for governmental activities for the year ended April 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Not Being Depreciated:				
Land	\$ 7,757,958			\$ 7,757,958
Construction in Progress	845,679	\$ 118,688	\$ (190,098)	774,269
Subtotal	<u>8,603,637</u>	<u>118,688</u>	<u>(190,098)</u>	<u>8,532,227</u>
Other Capital Assets:				
Buildings and Improvements	11,205,727	137,869		11,343,596
Improvements	5,327,278	584,806		5,912,084
Equipment	6,271,066	432,069	(232,213)	6,470,922
Infrastructure	64,393,620	384,627		64,778,247
Subtotal	<u>87,197,691</u>	<u>1,539,371</u>	<u>(232,213)</u>	<u>88,504,849</u>
Accumulated Depreciation:				
Buildings and Improvements	6,440,921	248,982		6,689,903
Improvements	2,701,673	281,180		2,982,853
Equipment	4,955,388	378,784	(232,213)	5,101,959
Infrastructure	37,661,846	1,535,560		39,197,406
Subtotal	<u>51,759,828</u>	<u>2,444,506</u>	<u>(232,213)</u>	<u>53,972,121</u>
Net Other Capital Assets	<u>35,437,863</u>	<u>(905,135)</u>	<u>0</u>	<u>34,532,728</u>
Net Capital Assets	<u>\$ 44,041,500</u>	<u>\$ (786,447)</u>	<u>\$ (190,098)</u>	<u>\$ 43,064,955</u>

Depreciation was charged to functions as follows:

Governmental Activities:	
General Government	\$ 118,202
Public Safety	270,530
Highways and Streets	1,686,876
Culture and Recreation	353,320
Economic Development	15,578
Total Governmental Activities Depreciation Expense	<u>\$ 2,444,506</u>

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 6. CAPITAL ASSETS (CONTINUED)

Summary of capital assets for business-type activities for the year ended April 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Not Being Depreciated				
Land	\$ 2,051,199			\$ 2,051,199
Construction in Progress	2,882,638	\$ 1,558,667	\$ (2,680,203)	1,761,102
Subtotal	<u>4,933,837</u>	<u>1,558,667</u>	<u>(2,680,203)</u>	<u>3,812,301</u>
Other Capital Assets:				
Buildings	19,881,381			19,881,381
Lines	43,768,032	4,002,300		47,770,332
Equipment	12,452,031	207,568		12,659,599
Other Improvements	13,668,023	188,325		13,856,348
Interconnect	5,672,510			5,672,510
Subtotal	<u>95,441,977</u>	<u>4,398,193</u>	<u>0</u>	<u>99,840,170</u>
Accumulated Depreciation:				
Buildings	16,138,542	611,875		16,750,417
Lines	22,965,621	1,325,143		24,290,764
Equipment	10,109,653	555,402		10,665,055
Other Improvements	6,906,528	623,252		7,529,780
Interconnect	2,142,797	186,886		2,329,683
Subtotal	<u>58,263,141</u>	<u>3,302,558</u>	<u>0</u>	<u>61,565,699</u>
Net Other Capital Assets	<u>37,178,836</u>	<u>1,095,635</u>	<u>0</u>	<u>38,274,471</u>
Net Capital Assets	<u>\$ 42,112,673</u>	<u>\$ 2,654,302</u>	<u>\$ (2,680,203)</u>	<u>\$ 42,086,772</u>

Depreciation was charged to functions as follows:

Business-Type Activities:

Light and Power	\$ 1,894,590
Water	638,474
Sewer	769,494
	<u>\$ 3,302,558</u>

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

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, 2017:

	April 30, 2016	Additions	Reductions	April 30, 2017	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 11,919,367		\$ (1,740,000)	\$ 10,179,367	\$ 1,770,000
Notes Payable		\$ 221,000	(3,264)	217,736	42,372
Compensated Absences	707,045	17,262		724,307	
Net Pension Liability - IMRF	2,909,974		(492,542)	2,417,432	
Net Pension Liability - Police Pension	6,003,947	93,392		6,097,339	
Other Post Employment Benefits	275,243	65,071		340,314	
Long-Term Accrued Interest	793,229	143,501		936,730	
Long-Term Liabilities	<u>\$ 22,608,805</u>	<u>\$ 540,226</u>	<u>\$ (2,235,806)</u>	<u>\$ 20,913,225</u>	<u>\$ 1,812,372</u>
Business-Type Activities:					
Revenue Bonds	\$ 14,780,000		\$ (705,000)	\$ 14,075,000	\$ 725,000
Notes Payable	870,542		(429,027)	441,515	441,515
Maintenance Agreements	727,291		(166,853)	560,438	166,853
Compensated Absences	372,037		(21,006)	351,031	
Net Pension Liability - IMRF	1,925,661		(318,032)	1,607,629	
Other Post Employment Benefits	132,260	\$ 26,297		158,557	
Long-Term Liabilities	<u>\$ 18,807,791</u>	<u>\$ 26,297</u>	<u>\$ (1,639,918)</u>	<u>\$ 17,194,170</u>	<u>\$ 1,333,368</u>

Revenue bonds and notes payable at April 30, 2017 were comprised of the following individual issuances:

Revenue Bonds

Governmental Activities:

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 2015. The maturity dates of these refinanced bonds is October 1, 2020. Total interest due on remaining balance is \$61,000. \$ 1,675,000

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 \$37,620. 1,910,000

2010 street alternate bonds are due in annual installments ranging from \$211,156 to \$381,787 beginning January 2020 through January 2030. Beginning in fiscal year 2011, the bond starts compounding interest at 3.70% to 4.95%. Revenue bonds were issued for future improvements to the City's streets. Total interest due on remaining 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 \$960,536. 3,395,000

Total Revenue Bonds - Governmental Activities \$ 10,179,367

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 7. LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds

Business-Type Activities:

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 \$3,755,257. \$ 7,600,000

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 \$1,320,374. 4,015,000

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 \$849,717. 2,460,000

Total Revenue Bonds - Business-Type Activities \$ 14,075,000

Notes Payable

Governmental Activities:

In 2017, the City purchased a 2017 Johnston VT651 Street Sweeper with financing provided by Bradford National Bank. The total loan amount was \$221,000 and is being repaid in monthly installments over a 5 year period at 2.24% interest. Total interest due on the remaining balance is \$12,408. \$ 217,736

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 \$9,594. \$ 441,515

Details of maintenance agreements payable at April 30, 2017 were as follows:

Maintenance Agreements Payable

Business-Type Activities:

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. \$ 152,491

In 2015, the City contracted a private company to renovate and maintain the elevated downtown storage water tank in downtown Highland. The total amount of the zero-interest contract is \$117,578. The final payment on the contract is due in 2021. 80,430

In 2015, the City contracted a private company to renovate and maintain the standpipe water storage tank at Silver Lake Park. The total amount of the zero-interest contract is \$522,417. The final payment on the contract is due in 2021. 327,517

Total Maintenance Agreements Payable - Business-Type Activities \$ 560,438

CITY OF HIGHLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED APRIL 30, 2017

NOTE 7. LONG-TERM OBLIGATIONS (CONTINUED)

The annual debt service requirements for long-term debt on April 30, 2017 were as follows:

YEAR ENDING APRIL 30	REVENUE BONDS PAYABLE	NOTES PAYABLE	MAINTENANCE AGREEMENTS PAYABLE	INTEREST	TOTAL PRINCIPAL & INTEREST
2018	\$ 2,495,000	\$ 483,887	\$ 166,855	\$ 808,885	\$ 3,954,627
2019	2,085,000	43,327	168,898	751,485	3,048,710
2020	1,761,787	44,307	168,897	855,173	2,830,164
2021	1,782,923	45,310	55,788	829,997	2,714,018
2022	1,356,036	42,420		808,825	2,207,281
2023-2027	7,061,466			3,647,288	10,708,754
2028-2032	7,382,155			1,981,675	9,363,830
2033-2036	330,000			13,811	343,811
Total	<u>\$ 24,254,367</u>	<u>\$ 659,251</u>	<u>\$ 560,438</u>	<u>\$ 9,697,139</u>	<u>\$ 35,171,195</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 – REGULAR AND SLEP EMPLOYEES

(i) 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 City of Highland’s plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF’s pension benefits is provided in the “Benefits Provided” section of this note. Details of all benefits are available from IMRF. 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan’s fiduciary net position, and required supplementary information. This report is available for download at www.imrf.org.

(ii) BENEFITS PROVIDED

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff’s Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

CITY OF HIGHLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED APRIL 30, 2017

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

(iii) EMPLOYEES COVERED BY BENEFIT TERMS

As of December 31, 2016, the following employees were covered by the benefit terms:

	REGULAR PLAN	SLEP PLAN
Retirees and Beneficiaries currently receiving benefits	77	0
Inactive Plan Members entitled to but not yet receiving benefits	46	1
Active Plan Members	105	0
Total	228	1

(iv) CONTRIBUTIONS

(a) REGULAR PLAN

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 City's annual required contribution rate for calendar year 2016 was 11.09%. For the fiscal year ended April 30, 2017, the City contributed \$711,815 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

CITY OF HIGHLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED APRIL 30, 2017

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

(b) SLEP PLAN

As set by statute, the City's Regular 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 2016 was 13.35%. For the fiscal year ended April 30, 2017, the City contributed \$0 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

(v) NET PENSION LIABILITY

The City of Highland's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

(vi) ACTUARIAL ASSUMPTIONS

The following are the methods and assumptions used to determine total pension liability at December 31, 2016.

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.75%
Salary Increases	3.75% to 14.50% including inflation
Investment Rate of Return:	Regular 7.50%
	SLEP 7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes There were no benefit changes during the year.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2016 Illinois Municipal Retirement Fund annual actuarial valuation report.

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

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

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	1%	2.25%
Total	<u>100%</u>	

(vii) SINGLE DISCOUNT RATE

A Single Discount Rate of 7.50% for both the regular plan and the SLEP plan was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on pension plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

(viii) CHANGES IN THE NET PENSION LIABILITY (ASSET)

(a) REGULAR PLAN

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2015	\$ 31,922,886	\$ 27,071,060	\$ 4,851,826
Changes for the year:			
Service Cost	673,608		673,608
Interest on the Total Pension Liability	2,360,617		2,360,617
Difference Between Expected and Actual Experience of the Total Pension Liability	(818,131)		(818,131)
Changes of Assumptions	(81,602)		(81,602)
Contributions - Employer		699,617	(699,617)
Contributions - Employees		283,885	(283,885)
Net Investment Income		1,874,891	(1,874,891)
Benefit Payments, Including Refunds of Employee Contributions	(1,401,283)	(1,401,283)	0
Other (Net Transfer)		70,952	(70,952)
Net Changes	<u>733,209</u>	<u>1,528,062</u>	<u>(794,853)</u>
Balance, December 31, 2016	<u>\$ 32,656,095</u>	<u>\$ 28,599,122</u>	<u>\$ 4,056,973</u>

(b) SLEP PLAN

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2015	\$ 105,702	\$ 121,893	\$ (16,191)
Changes for the year:			
Contributions - Employer		2,067	(2,067)
Interest on the Total Pension Liability	7,928		7,928
Difference Between Expected and Actual Experience of the Total Pension Liability	(8,011)		(8,011)
Net Investment Income		6,414	(6,414)
Other (Net Transfer)		7,157	(7,157)
Net Changes	<u>(83)</u>	<u>15,638</u>	<u>(15,721)</u>
Balance, December 31, 2016	<u>\$ 105,619</u>	<u>\$ 137,531</u>	<u>\$ (31,912)</u>

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

(ix) SENSITIVITY IN THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	<u>REGULAR PLAN</u>		<u>SLEP PLAN</u>	
	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>
1% Decrease	6.50%	\$ 8,487,474	6.50%	\$ (16,059)
Current Discount Rate	7.50%	4,056,973	7.50%	(31,912)
1% Increase	8.50%	447,070	8.50%	(44,843)

(x) PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended April 30, 2017, the City of Highland recognized pension expense of \$641,745. At April 30, 2017, the City of Highland recognized deferred outflows of resources related to pensions from the following sources:

	<u>Regular Plan</u>		
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 778,063	\$ 674,099	\$ 103,964
Changes of Assumptions	792,075	67,237	724,838
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,535,563		1,535,563
Pension Contributions Made Subsequent to the Measurement Date	220,666		220,666
Amortization of Deferred Outflows	(590,776)		(590,776)
Total Deferred Amounts Related to Pensions	<u>\$ 2,735,591</u>	<u>\$ 741,336</u>	<u>\$ 1,994,255</u>
	<u>SLEP Plan</u>		
	<u>Deferred Outflows of Resources</u>		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 8,873		
Amortization of Deferred Outflows	(638)		
	<u>\$ 8,235</u>		

CITY OF HIGHLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED APRIL 30, 2017

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

Amounts realized as deferred outflows of resources related to pensions will be realized in pension expense in future periods as follows:

Year Ending December 31,	Net Deferred Outflows of Resources	
	Regular Plan	SLEP Plan
2017	\$ 908,933	\$ 2,647
2018	688,267	2,646
2019	538,460	2,328
2020	(33,662)	614
2021	(107,743)	0
Total	\$ 1,994,255	\$ 8,235

(B) POLICE PENSION

(i) PLAN ADMINISTRATION

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 plan is governed by a five member Board of Trustees. Two members of the board are appointed by the City, two are active members of the police department elected by the membership, and one is a retired member of the police department elected by the membership.

At April 30, 2016, the Police Pension Plan membership consisted of:

Inactive Plan Members of Beneficiaries Currently Receiving Benefits	11
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	2
Active Plan Members	20
Total	33

(ii) BENEFITS PROVIDED

The Plan provides retirement, disability, death, and termination benefits. The Police Pension Plan has two tiers. Police officers hired prior to January 1, 2011 are eligible for Tier 1. Police officers hired on or after January 1, 2011 are eligible for Tier 2.

Under Tier 1, a police officer age 50 or more with 20 or more years of creditable service shall receive a pension of one-half of the salary attached to the rank held by the officer at the date of retirement. 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 minimum monthly benefit is \$1,000 per month. The monthly benefit shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension, and 3% compounded annually thereafter. Those that retire prior to age 55 receive an increase of 1/12 of 3% for each full month from benefit commencement until age 55 is reached.

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

Under Tier 2, a police officer age 55 or more with 10 or more years of creditable service shall receive a pension of 2.5% per year of service times the average salary for the eight consecutive years prior to retirement times the number of years of service. The maximum benefit is 75% of average salary. An annual cost-of-living adjustment is calculated each January 1st. The increase is equal to 3% per year or one-half of the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with the September preceding each November 1st, whichever is less, of the original pension after the attainment of age 60 or first anniversary of pension state date, whichever is later.

Officers totally and permanently disabled as determined by the Board of Trustees are eligible to receive a disability benefit. Officers disabled in the performance of an act of duty are entitled to 65% of the salary attached to the rank held on the date of service and the monthly retirement pension that the member is entitled to receive if he or she retired immediately. If the disability occurs while the officer is not in performance of an act of duty, the officer is entitled to a disability benefit of 50% of the salary attached to the rank on the last day of service.

If an officer dies in the line of service, the named beneficiary is entitled to a death benefit equal to 100% of the officer's salary attached to the rank held by the officer on the last day of service. For a non-service death, the beneficiary would receive a maximum of 50% of the salary attached to the rank held by the officer on the last day of service, and the monthly retirement pension earned by the deceased officer at the time of death, regardless of whether death occurs before or after age 50. For non-service deaths with less than 10 years of service, a refund of member contributions is provided.

After termination of service, an officer with less than 10 years of service will receive a refund of their contributions. If the officer has 10 or more years of service, the officer will receive either a refund of their contributions, or the termination benefit, payable upon reaching age 60 provided contributions are not withdrawn. The termination benefit is 2.50% of the annual salary held in the year prior to termination times years of creditable service.

(iii) CONTRIBUTIONS

Plan members are required to contribute 9.91% of their base salary to the Police Pension Plan. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary.

(iv) INVESTMENT POLICY

The fund's Board of Trustees is required to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The plan complies with the investment guidelines set forth at 40 ILCS 5/1-113. The investment policy was not modified during the year ended April 30, 2017.

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. The plan did not hold investments in any one organization that represent 5% or more of the Pension Plan's Fiduciary Net Position.

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

For the year ended April 30, 2017, the annual money-weighted rate of return on plan investments, net of pension plan investment expense, was 1.72%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

The following was the Board's adopted asset allocation policy and best estimate of arithmetic real rates of return as of April 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US Equity	45%	6.50%
Fixed Income	55%	3.32%
Total	<u>100%</u>	

(v) CHANGES IN THE NET PENSION LIABILITY (ASSET)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance, April 30, 2015	\$ 16,024,548	\$ 10,020,601	\$ 6,003,947
Changes for the year:			
Service Cost	393,643		393,643
Interest on the Total Pension Liability	1,045,672		1,045,672
Difference Between Expected and Actual Experience of the Total Pension Liability	(824,401)		(824,401)
Contributions - Employer		432,136	(432,136)
Contributions - Employees		158,168	(158,168)
Net Investment Income		(63,296)	63,296
Benefit Payments, Including Refunds of Employee Contributions	(661,861)	(661,861)	0
Other (Net Transfer)		(5,486)	5,486
Net Changes	<u>(46,947)</u>	<u>(140,339)</u>	<u>93,392</u>
Balance, April 30, 2016	<u>\$ 15,977,601</u>	<u>\$ 9,880,262</u>	<u>\$ 6,097,339</u>

CITY OF HIGHLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED APRIL 30, 2017

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

(vi) ACTUARIAL ASSUMPTIONS

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2016 using the following actuarial assumptions.

Inflation	2.00%
Salary Increase	Graded rates from 4.86% at age 25 to 1.12% at age 55
Discount Rate	6.50%
Investment Rate Of Return	6.50%

Mortality rates were based on the RP-2000 Combined Healthy Mortality with a blue collar adjustment, projected to the valuation date using Scale BB. Disabled mortality rates were based on the RP-2000 Combined Healthy Mortality with a blue collar adjustment, projected to the valuation date using Scale BB with a 150% load for participants under age 50. The date of the most recent experience study for which significant assumptions are based upon is not available.

(vii) DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

For purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.32% (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve); and the resulting single discount rate is 6.50%.

(viii) SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 6.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Decrease	Current Discount Rate	1% Increase
	5.50%	6.50%	7.50%
Net Pension Liability	\$ 8,598,243	\$ 6,097,339	\$ 4,076,662

CITY OF HIGHLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED APRIL 30, 2017

NOTE 8. RETIREMENT FUND COMMITMENTS (CONTINUED)

(ix) DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At April 30, 2017, the City of Highland recognized deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 104,331	\$ (732,801)
Changes of Assumptions	1,554,236	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	633,147	
Total Deferred Amounts Related to Pensions	\$ 2,291,714	\$ (732,801)

Amounts realized as deferred outflows of resources related to pensions will be realized in pension expense in future periods as follows:

Year Ending April 30,	Net Deferred Outflows of Resources
2017	\$ 308,912
2018	308,912
2019	308,912
2020	287,765
2021	145,338
Thereafter	199,074
Total	\$ 1,558,913

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, 2017, 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	Street Improvement Fund	530,000
City Property Replacement Fund	Other Governmental Funds	60,000
Light and Power Fund	General Corporate Fund	61,136

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 9. INTERFUND ACTIVITY (CONTINUED)

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, 2017, consisted of the following:

		Transfer From:				
		General Corporate	City Property Replacement	Other Governmental Funds	Light And Power	Total
Transfer To:	General Corporate		\$ 410,000	\$ 5,468		\$ 415,468
	Ambulance		155,000			155,000
	City Property Replacement	\$ 560,000			\$ 150,000	710,000
	Total	\$ 560,000	\$ 565,000	\$ 5,468	\$ 150,000	\$ 1,280,468

NOTE 10. NOTES RECEIVABLE

The following is a summary of long-term receivable transactions of the City for the year ended April 30, 2017:

	COMPONENT UNIT
Balance on April 30, 2016	\$ 47,313
Additions	
Reductions	(6,562)
Balance on April 30, 2017	\$ 40,751

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. \$ 40,751

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.

CITY OF HIGHLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED APRIL 30, 2017

NOTE 11. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

(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 of 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 2016 Actuarial Valuation reported 114 active employees and 11 retirees for OPEB calculations for fiscal year April 30, 2017.

(B) ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The City had an actuarial valuation performed as of May 1, 2016 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, 2017. 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, 2016 are shown below. 2010 was the first year for which a valuation was performed. These figures were updated for April 30, 2017 based on the 2016 valuation and are included below.

Fiscal Year Ending	Annual OPEB Expense	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2015	\$ 100,843	36.7%	\$ 344,779
April 30, 2016	99,724	37.1%	407,503
April 30, 2017	134,915	32.3%	498,871

The net OPEB obligation as of April 30, 2017 was as follows:

Annual Required Contribution	\$ 142,809
Interest on Net OPEB Obligation	14,263
Adjustment to Annual Required Contribution	<u>(22,156)</u>
Annual OPEB Expense	134,916
Contributions Made (Implicit)	(43,548)
Estimated Implicit Benefit Payments	0
Estimated Annual Employer Contribution	<u>0</u>
Change in Net OPEB Obligation	91,368
Net OPEB Obligation as of 4/30/16	<u>407,503</u>
Net OPEB Obligation as of 4/30/17	<u><u>\$ 498,871</u></u>

(C) FUNDED STATUS AND FUNDING PROGRESS

As of April 30, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability for benefits was \$1,297,127. The annual covered payroll was approximately \$7,673,416, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 16.90%.

CITY OF HIGHLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED APRIL 30, 2017

NOTE 11. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

(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		9.0%
Trend - Ultimate		5.0%
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. TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses under the Illinois Tax Increment Allocation Redevelopment Act. Under this act, localities may grant property tax abatements for the purpose of rehabilitation of blighted or conservation areas. The abatements may be granted to any business located within the TIF District boundaries which incur qualified redevelopment costs. A typical agreement will reimburse a developer's qualified costs up to 50% of the annual property tax increment. For the fiscal year ended April 30, 2017, the City abated property taxes totaling \$128,112 under this program.

The City entered into sales tax rebate agreements with multiple businesses within the City's business district as an incentive for the businesses to complete improvements to their businesses. These businesses receive sales tax rebates of up to 100% of the 1% city sales tax increment, to be paid annually. For the fiscal year ended April 30, 2017, the City abated sales taxes totaling \$39,358 under these agreements.

The City entered into property tax abatement agreements with multiple businesses within the City's business district as an incentive for the businesses to complete improvements to the buildings within the district. These agreements reimburse the businesses up to 100% of the City's portion of the ad valorem tax increment generated on the increase in equalized assessed value for the improved property. For the fiscal year ended April 30, 2017, the City abated property taxes totaling \$4,875 under these agreements.

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 13. LEGAL DEBT MARGIN

The legal debt margin for the City of Highland was \$15,559,938 for general obligation debts. The computation was as follows:

Assessed Valuation as of April 30, 2017	\$ 180,405,083
Statutory Debt Limitation (8.625% of Assessed Valuation)	\$ 15,559,938
Less: General Obligation Debt	0
Legal Debt Margin	\$ 15,559,938

The total general obligation debt for the City of Highland at April 30, 2017 was \$0.

NOTE 14. GOVERNMENTAL FUND BALANCES

As of April 30, 2017, 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	\$ 74,548		\$ 8,003		\$ 166,547	\$ 249,098
Total Nonspendable	74,548	\$ 0	8,003	\$ 0	166,547	249,098
Restricted for:						
Audit Fees					8,306	8,306
Cemetery Operations and Maintenance					722,998	722,998
Economic Development					207,844	207,844
Fire Protection	8,091					8,091
Highways and Streets					578,785	578,785
IMRF					182,990	182,990
Debt Service					46,613	46,613
Library Capital Improvements					3,415	3,415
Municipal Band	8,191					8,191
Public Comfort Station	36,950					36,950
School Crossing Guard	15,358					15,358
Total Restricted	68,590	0	0	0	1,750,951	1,819,541
Assigned, Reported in:						
Special Revenue Funds			966,329	31,672	700,579	1,698,580
Capital Projects Funds		5,352,312				5,352,312
Total Assigned	0	5,352,312	966,329	31,672	700,579	7,050,892
Unassigned	2,452,221	0	0	0	(104,309)	2,347,912
TOTAL FUND BALANCES	\$ 2,595,359	\$ 5,352,312	\$ 974,332	\$ 31,672	\$ 2,513,768	\$ 11,467,443

CITY OF HIGHLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 15. DEFICIT FUND BALANCES

The following individual nonmajor funds reported deficit fund balances on April 30, 2017:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Cemetery Land Replacement	\$ 30,363
Library Special Projects	17,794
Library Endowment	<u>52,737</u>
Total Deficit Fund Balance	<u>\$ 100,894</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, 2017 AND 2016

	GENERAL CORPORATE FUND					
	APRIL 30, 2017			APRIL 30, 2016		
	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP		Actual Amounts GAAP Basis
Original Budget	Final Budget	Differences Over (Under)		Actual Amounts GAAP Basis		
Revenues:						
General Property Taxes	\$ 1,374,243	\$ 1,374,243	\$ 1,362,365		\$ 1,362,365	\$ 1,318,701
Corporate Personal Property Taxes	125,950	125,950	141,800		141,800	99,821
Intergovernmental	3,997,751	3,997,751	4,099,705		4,099,705	4,440,011
Charges for Current Services	2,168,222	2,168,222	2,360,332		2,360,332	2,356,641
Licenses and Permits	236,350	236,350	242,861		242,861	249,133
Fines and Forfeitures	31,000	31,000	18,480		18,480	29,817
Revenue from Use of Property	87,200	87,200	92,455		92,455	89,184
Miscellaneous, Grants, and Interest	397,891	777,891	651,435		651,435	395,058
Total Revenues	<u>8,418,607</u>	<u>8,798,607</u>	<u>8,969,433</u>	<u>\$ 0</u>	<u>8,969,433</u>	<u>8,978,366</u>
Expenditures:						
General Government	1,325,080	1,325,080	1,206,260	21,731	1,227,991	1,335,459
Public Safety	3,088,076	3,168,476	3,155,288	15,159	3,170,447	3,096,418
Highways and Streets	928,850	928,850	966,593	50,789	1,017,382	927,059
Economic Development	167,600	182,600	145,482	33,779	179,261	310,318
Culture and Recreation	1,801,155	1,857,655	1,853,189	38,772	1,891,961	1,946,620
Capital Outlay	464,000	1,065,000	1,271,857		1,271,857	2,255,357
Principal Debt Retirement	400,000	400,000	403,264		403,264	400,000
Interest and Fixed Charges on Debt	28,402	28,402	29,356		29,356	31,319
Total Expenditures	<u>8,203,163</u>	<u>8,956,063</u>	<u>9,031,289</u>	<u>160,230</u>	<u>9,191,519</u>	<u>10,302,550</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>215,444</u>	<u>(157,456)</u>	<u>(61,856)</u>	<u>(160,230)</u>	<u>(222,086)</u>	<u>(1,324,184)</u>
Other Financing Sources (Uses):						
Note Payable Proceeds					221,000	
Proceeds from Sale of Capital Assets					57,000	6,500
Unrealized Appreciation of Investments					8,500	
Operating Transfers in	996,500	1,271,500	415,468		415,468	1,534,530
Operating Transfers out	(907,500)	(907,500)	(560,000)		(560,000)	(104,000)
Total Other Financing Sources (Uses)	<u>89,000</u>	<u>364,000</u>	<u>(144,532)</u>	<u>0</u>	<u>141,968</u>	<u>1,437,030</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ 304,444</u>	<u>\$ 206,544</u>	<u>\$ (206,388)</u>	<u>\$ (160,230)</u>	<u>(80,118)</u>	<u>112,846</u>
Fund Balance, Beginning of Year					<u>2,675,477</u>	<u>2,562,631</u>
Fund Balance, End of Year					<u>\$ 2,595,359</u>	<u>\$ 2,675,477</u>
The City budgets for claims and compensated absences only to the extent expected to be paid, rather than on the modified accrual basis					\$ 4,303	\$ 21,848
The City budgets for expenditures to the extent anticipated to be paid in cash, rather than on the modified accrual basis					131,439	(123,559)
The City budgets for payroll to the extent anticipated to be paid in cash, rather than on the modified accrual basis					24,488	25,945
					<u>\$ 160,230</u>	<u>\$ (75,766)</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, 2017 AND 2016

	CITY PROPERTY REPLACEMENT FUND					
	APRIL 30, 2017				APRIL 30, 2016	
	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)		Actual Amounts GAAP Basis
Original Budget	Final Budget					
Revenues:						
Miscellaneous and Interest	\$ 65,560	\$ 65,560	\$ 64,624		\$ 64,624	\$ 70,219
Total Revenues	<u>65,560</u>	<u>65,560</u>	<u>64,624</u>	<u>\$ 0</u>	<u>64,624</u>	<u>70,219</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>65,560</u>	<u>65,560</u>	<u>64,624</u>	<u>0</u>	<u>64,624</u>	<u>70,219</u>
Other Financing Sources (Uses):						
Operating Transfers In	441,000	441,000	710,000		710,000	254,000
Operating Transfers Out	(58,000)	(333,000)	(565,000)		(565,000)	(1,529,000)
Total Other Financing Sources (Uses)	<u>383,000</u>	<u>108,000</u>	<u>145,000</u>	<u>0</u>	<u>145,000</u>	<u>(1,275,000)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ 448,560</u>	<u>\$ 173,560</u>	<u>\$ 209,624</u>	<u>\$ 0</u>	209,624	(1,204,781)
Fund Balance, Beginning of Year					<u>5,142,688</u>	<u>6,347,469</u>
Fund Balance, End of Year					<u>\$ 5,352,312</u>	<u>\$ 5,142,688</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, 2017 AND 2016

	AMBULANCE FUND					
	APRIL 30, 2017					APRIL 30, 2016
	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	\$ 444,585	\$ 444,585	\$ 442,105		\$ 442,105	\$ 427,712
Replacement Taxes	16,000	16,000	18,768		18,768	12,794
Intergovernmental	273,956	273,956	272,956		272,956	262,525
Charges for Services	1,350,000	1,350,000	1,170,020		1,170,020	1,339,639
Miscellaneous and Interest	2,850	2,850	16,628		16,628	9,040
Total Revenues	<u>2,087,391</u>	<u>2,087,391</u>	<u>1,920,477</u>	<u>\$ 0</u>	<u>1,920,477</u>	<u>2,051,710</u>
Expenditures						
Public Safety	2,000,397	2,000,397	1,914,062	18,268	1,932,330	2,012,130
Capital Outlay	60,000	60,000	30,000		30,000	18,750
Total Expenditures	<u>2,060,397</u>	<u>2,060,397</u>	<u>1,944,062</u>	<u>18,268</u>	<u>1,962,330</u>	<u>2,030,880</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>26,994</u>	<u>26,994</u>	<u>(23,585)</u>	<u>(18,268)</u>	<u>(41,853)</u>	<u>20,830</u>
Other Financing Sources (Uses):						
Operating Transfers In					155,000	
Operating Transfers Out	<u>(26,000)</u>	<u>(26,000)</u>				
Total Other Financing Sources (Uses)	<u>(26,000)</u>	<u>(26,000)</u>	<u>0</u>	<u>0</u>	<u>155,000</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ 994</u>	<u>\$ 994</u>	<u>\$ (23,585)</u>	<u>\$ (18,268)</u>	113,147	20,830
Fund Balance, Beginning of Year					<u>861,185</u>	<u>840,355</u>
Fund Balance, End of Year					<u>\$ 974,332</u>	<u>\$ 861,185</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					\$ 13,243	\$ 4,636
The City budgets for expenditures to the extent anticipated to be paid in cash, rather than on the modified accrual basis					(1,151)	(1,151)
The City budgets for payroll to the extent anticipated to be paid in cash, rather than on the modified accrual basis					6,176	11,722
					<u>\$ 18,268</u>	<u>\$ 15,207</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, 2017 AND 2016

STREET IMPROVEMENT FUND

	APRIL 30, 2017			APRIL 30, 2016		
	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:						
Intergovernmental	\$ 1,355,000	\$ 1,355,000	\$ 1,409,810		\$ 1,409,810	\$ 1,397,348
Miscellaneous, Grants, and Interest	416,500	416,500	177,225		177,225	577,721
Total Revenues	<u>1,771,500</u>	<u>1,771,500</u>	<u>1,587,035</u>	<u>\$ 0</u>	<u>1,587,035</u>	<u>1,975,069</u>
Expenditures						
Highways and Streets	557,500	557,500	120,169	(116,213)	3,956	33,946
Capital Outlay	20,000	20,000	141,971		141,971	2,069,245
Debt Services	1,209,060	1,209,060	1,209,478		1,209,478	1,186,778
Total Expenditures	<u>1,786,560</u>	<u>1,786,560</u>	<u>1,471,618</u>	<u>(116,213)</u>	<u>1,355,405</u>	<u>3,289,969</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(15,060)</u>	<u>(15,060)</u>	<u>115,417</u>	<u>116,213</u>	<u>231,630</u>	<u>(1,314,900)</u>
Other Financing Sources (Uses):						
Operating Transfers Out						
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Uses	<u>\$ (15,060)</u>	<u>\$ (15,060)</u>	<u>\$ 115,417</u>	<u>\$ 116,213</u>	<u>231,630</u>	<u>(1,314,900)</u>
Fund Balance, Beginning of Year					<u>(199,958)</u>	<u>1,114,942</u>
Fund Balance, End of Year					<u>\$ 31,672</u>	<u>\$ (199,958)</u>
					<u>(116,213)</u>	<u>(151,972)</u>
					<u>\$ (116,213)</u>	<u>\$ (151,972)</u>

CITY OF HIGHLAND, ILLINOIS
NOTES TO SCHEDULE "1"
APRIL 30, 2017

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 18, 2016 the budget ordinance was legally enacted. The budget ordinance was legally amended on April 17, 2017.
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. The City budgets for expenditures to the extent anticipated to be paid in cash. 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.

As of April 30, 2017, the City's expenses exceeded appropriations in the following funds:

General Corporate Fund	\$ 75,226
Library Working Fund	42
Cemetery Perpetual Fund	188
TIF #1 Fund	14,148
Solid Waste Fund	6,021

CITY OF HIGHLAND, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
ILLINOIS MUNICIPAL RETIREMENT FUND - REGULAR PLAN
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Calendar year ending December 31,	2016	2015
TOTAL PENSION LIABILITY		
Service Cost	\$ 673,608	\$ 665,293
Interest on the Total Pension Liability	2,360,617	2,187,028
Difference Between Expected and Actual Experience of the Total Pension Liability	(818,131)	778,452
Changes of Assumptions	(81,602)	40,606
Benefit Payments, Including Refunds of Employee Contributions	(1,401,283)	(1,230,296)
Net Change in Total Pension Liability	733,209	2,441,083
Total Pension Liability - Beginning	31,922,886	29,481,803
Total Pension Liability - Ending (a)	\$ 32,656,095	\$ 31,922,886
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 699,617	\$ 732,050
Contributions - Employees	283,885	290,735
Net Investment Income	1,874,891	134,946
Benefit Payments, Including Refunds of Employee Contributions	(1,401,283)	(1,230,296)
Other (Net Transfer)	70,952	50,581
Net Change in Plan Fiduciary Net Position	1,528,062	(21,984)
Plan Fiduciary Net Position - Beginning	27,071,060	27,093,044
Plan Fiduciary Net Position - Ending (b)	\$ 28,599,122	\$ 27,071,060
Net Pension Liability - Ending (a)-(b)	\$ 4,056,973	\$ 4,851,826
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.58%	84.80%
Covered Employee Payroll	\$ 6,308,543	\$ 6,460,770
Net Pension Liability as a Percentage of Covered Employee Payroll	64.31%	75.10%

NOTES TO SCHEDULE:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF HIGHLAND, ILLINOIS
MULTIYEAR SCHEDULE OF PENSION CONTRIBUTIONS - REGULAR PLAN
Last 10 Calendar Years

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$ 721,668	\$ 732,050	\$ (10,382)	\$ 6,460,770	11.33%
2016	699,617	669,617	0	6,308,543	11.09%

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN
THE CALCULATION OF THE 2016 CONTRIBUTION RATE*

VALUATION DATE

Notes: Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

METHODS AND ASSUMPTIONS USED TO DETERMINE 2016 CONTRIBUTION RATES:

Actuarial Cost Method: Aggregate Entry Age Normal
 Amortization Method: Level Percentage of Payroll, Closed
 Remaining Amortization Period: Non-Taxing bodies: 10-year rolling period.
 Taxing bodies (Regular, SLEP and ECO groups): 27-year closed period until remaining period reaches 15 years (then 15-year rolling period).
 Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
 SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 22 years for most employers (two employers were financed over 31 years).
 Asset Valuation Method: 5-Year smoothed market; 20% corridor
 Wage Growth: 3.50%
 Price Inflation: 2.75% - approximate; No explicit price inflation assumption is used in this valuation.
 Salary Increases: 3.75% to 14.50% including inflation
 Investment Rate of Return: 7.50%
 Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

Mortality:
 For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

OTHER INFORMATION

Notes: There were no benefit changes during the year.

**Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation*

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF HIGHLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 ILLINOIS MUNICIPAL RETIREMENT FUND - SLEP
 MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Calendar year ending December 31,	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY		
Interest on the Total Pension Liability	\$ 7,928	\$ 8,814
Difference between Expected and Actual Experience of the Total Pension Liability	(8,011)	(20,631)
Changes of Assumptions		
Net Change in Total Pension Liability	<u>(83)</u>	<u>(11,817)</u>
Total Pension Liability - Beginning	105,702	117,519
Total Pension Liability - Ending (a)	<u>\$ 105,619</u>	<u>\$ 105,702</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 2,067	\$ 4,901
Net Investment Income	6,414	632
Other (Net Transfer)	7,157	(7,633)
Net Change in Plan Fiduciary Net Position	<u>15,638</u>	<u>(2,100)</u>
Plan Fiduciary Net Position - Beginning	121,893	123,993
Plan Fiduciary Net Position - Ending (b)	<u>\$ 137,531</u>	<u>\$ 121,893</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ (31,912)</u>	<u>\$ (16,191)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	130.21%	115.32%
Covered Employee Payroll	\$ 0	\$ 0
Net Pension Liability as a Percentage of Covered Employee Payroll	0.00%	0.00%

NOTES TO SCHEDULE

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF HIGHLAND, ILLINOIS
MULTIYEAR SCHEDULE OF PENSION CONTRIBUTIONS - SLEP
Last 10 Calendar Years

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$ 0	\$ 4,901	\$ (4,901)	\$ 0	0.00%
2016	0	2,067	(2,067)	0	0.00%

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN
THE CALCULATION OF THE 2016 CONTRIBUTION RATE*

VALUATION DATE

Notes: Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

METHODS AND ASSUMPTIONS USED TO DETERMINE 2016 CONTRIBUTION RATES

Actuarial Cost Method: Aggregate Entry Age Normal
 Amortization Method: Level Percentage of Payroll, Closed
 Remaining Amortization Period: Non-Taxing bodies: 10-year rolling period.
 Taxing bodies (Regular, SLEP and ECO groups): 27-year closed period until remaining period reaches 15 years (then 15-year rolling period).
 Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
 SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 22 years for most employers (two employers were financed over 31 years).
 Asset Valuation Method: 5-Year smoothed market; 20% corridor
 Wage Growth: 3.50%
 Price Inflation: 2.75% - approximate; No explicit price inflation assumption is used in this valuation.
 Salary Increases: 3.75% to 14.50% including inflation
 Investment Rate of Return: 7.50%
 Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

Mortality:
 For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

OTHER INFORMATION

Notes: There were no benefit changes during the year.

**Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation*

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF HIGHLAND, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
POLICE PENSION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Fiscal Year Ended April 30,	2016	2015
TOTAL PENSION LIABILITY		
Service Cost	\$ 393,643	\$ 393,643
Interest on the Total Pension Liability	1,045,672	848,335
Difference Between Expected and Actual Experience of the Total Pension Liability	(824,401)	130,394
Assumption Changes		1,942,512
Benefit Payments, Including Refunds of Employee Contributions	(661,861)	(630,741)
Net Change in Total Pension Liability	(46,947)	2,684,143
Total Pension Liability - Beginning	16,024,548	13,340,405
Total Pension Liability - Ending (a)	\$ 15,977,601	\$ 16,024,548
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 432,136	\$ 413,798
Contributions - Employees	158,168	143,460
Net Investment Income	(63,296)	557,433
Benefit Payments, Including Refunds of Employee Contributions	(661,861)	(630,741)
Other (Net Transfer)	(5,486)	(6,066)
Net Change in Plan Fiduciary Net Position	(140,339)	477,884
Plan Fiduciary Net Position - Beginning	10,020,601	9,542,717
Plan Fiduciary Net Position - Ending (b)	\$ 9,880,262	\$ 10,020,601
Net Pension Liability - Ending (a)-(b)	\$ 6,097,339	\$ 6,003,947
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.84%	62.53%
Covered Employee Payroll	\$ 1,506,282	\$ 1,372,110
Net Pension Liability as a Percentage of Covered Employee Payroll	404.79%	437.57%

CITY OF HIGHLAND, ILLINOIS
SCHEDULE OF PENSION CONTRIBUTIONS - POLICE PENSION
Last 10 Calendar Years

Calendar Year Ending April 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$ 412,622	\$ 413,798	\$ (1,176)	\$ 1,372,110	30.16%
2016	763,756	432,136	331,620	1,506,282	28.69%

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN
THE CALCULATION OF THE 2016 CONTRIBUTION RATE*

VALUATION DATE

Notes: Actuarially determined contribution rates are calculated as of May 1 of each year prior to the beginning of the year in which contributions are reported.

METHODS AND ASSUMPTIONS USED TO DETERMINE 2016 CONTRIBUTION RATES

Actuarial Cost Method: Entry Age Method
 Amortization Method: Closed level percentage of payroll amortization of 100% of the Unfunded Actuarial Accrued Liability using a 3.5% payroll growth assumption over the period ending on April 30, 2040 (24-year amortization in 2016).
 Asset Method: 5 year smoothing of asset gains and losses
 Salary Increases: Graded rates from 4.86% at age 25 to 1.12% at age 55, plus 2.00% inflation allowance
 Cost-of-living Increases: 3% (1.25% for those hired after 1/1/2011)
 Investment Rate of Return: 6.5%, net of investment and administrative expenses
 Retirement Age:

Age	Rate of Retirement	Age	Rate of Retirement
50	0.36	60	0.22
51	0.22	61	0.30
52	0.18	62	0.39
53	0.19	63	0.48
54	0.19	64	0.57
55	0.20	65	0.65
56	0.20	66	0.74
57	0.20	67	0.83
58	0.21	68	0.91
59	0.21	69	1.00

Mortality: Active Lives
 RP 2000 Combined Healthy Mortality Table (male) with blue collar adjustment projected by Scale BB to 2015
Disabled Lives
 RP 2000 Combined Healthy Mortality Table (male) with blue collar adjustment projected by Scale BB to 2015 with a 150% load for participants under age 50

OTHER INFORMATION

Notes: There were no benefit changes during the year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF HIGHLAND, ILLINOIS
SCHEDULE OF INVESTMENT RETURNS - POLICE PENSION
Last 10 Calendar Years

Fiscal Year Ended April 30,	<u>2016</u>	<u>2015</u>
Annual Money-Weighted Rate of Return		
Net of Investment Expense	1.72%	4.54%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF HIGHLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

Fiscal Year Ended	Annual OPEB Expense (a)	Actual Contributions (b)	Contribution Deficiency (a) - (b)	Net OPEB Obligation (c)	Contributions as a % Percentage of Annual OPEB Expense (b) / (a)
April 30, 2015	\$ 100,843	\$ 37,000	\$ 63,843	\$ 344,779	36.7%
April 30, 2016	99,724	37,000	62,724	407,503	37.1%
April 30, 2017	134,915	43,548	91,367	498,871	32.3%

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)
5/1/2010	\$ 0	\$ 773,875	\$ 773,875	0.00%	\$ 6,384,380	12.12%
5/1/2013	0	1,029,199	1,029,199	0.00%	7,571,590	13.59%
5/1/2016	0	1,297,127	1,297,127	0.00%	7,673,416	16.90%

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, 2016. Information pertaining to the OPEB plan administered by the City can be found in Note 11 to the financial statements.

TABLE 1

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
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
2016	3,652,264	149,890	6,363,869	3,715,043	249,133	33,691	122,485	1,083,672	15,370,047
2017	3,702,813	211,386	6,051,810	3,559,153	242,861	22,086	140,689	911,035	14,841,833

COMMENTS

In fiscal year 2014, 2015, and 2016, 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

<u>YEAR ENDING APRIL 30</u>	<u>SALES TAX</u>	<u>NON-HOME RULE SALES TAX</u>	<u>ILLINOIS INCOME TAX</u>	<u>FOREIGN FIRE INSURANCE</u>	<u>SIMPLIFIED MUNICIPAL TELECOMM. TAX</u>	<u>MOTOR FUEL TAX</u>	<u>FIRE DIST. AMBULANCE REVENUE</u>	<u>MISC. REVENUE</u>	<u>TOTAL</u>
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
2016	2,624,354	1,397,348	1,421,357	20,739	293,914	263,985	262,525	79,647	6,363,869
2017	2,687,754	1,409,810	1,046,684	20,728	247,597	261,693	272,956	104,588	6,051,810

COMMENTS

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>
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
2016	1,687,311	5,549,989	4,225,527	3,213,727	1,181,708	1,906,160	17,764,422
2017	1,572,823	5,458,665	1,821,517	2,657,890	1,246,544	1,931,661	14,689,100

COMMENTS

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

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 2007	DEC 2008	DEC 2009	DEC 2010	DEC 2011	DEC 2012	DEC 2013	DEC 2014	DEC 2015	DEC 2016
ESTIMATED TAXABLE VALUE	\$ 535,702,059	\$ 566,592,132	\$ 566,714,472	\$ 556,277,586	\$ 549,401,196	\$ 544,265,430	\$ 529,010,859	\$ 533,481,255	\$ 532,837,035	\$ 541,215,249
ASSESSED VALUATION	178,567,353	188,864,044	188,904,824	185,425,862	183,133,732	181,421,810	176,336,953	177,827,085	177,612,345	180,405,083
TAX RATES:										
GENERAL	0.3297	0.3330	0.3330	0.3330	0.3330	0.3312	0.3330	0.3220	0.3330	0.3279
POLICE	0.0743	0.0750	0.0750	0.0750	0.0750	0.0746	0.0750	0.0726	0.0750	0.0739
FIRE	0.0743	0.0750	0.0750	0.0750	0.0750	0.0746	0.0750	0.0726	0.0750	0.0739
COMMUNITY BUILDING	0.0743	0.0750	0.0750	0.0750	0.0750	0.0746	0.0750	0.0726	0.0750	0.0739
PLAYGROUND & REC	0.0891	0.0900	0.0900	0.0900	0.0900	0.0895	0.0900	0.0871	0.0900	0.0887
BAND	0.0239	0.0239	0.0247	0.0252	0.0257	0.0254	0.0259	0.0259	0.0259	0.0255
POLICE PENSION	0.1217	0.1331	0.1883	0.1627	0.1826	0.2200	0.2324	0.2404	0.2367	0.3059
SOCIAL SECURITY	0.1977	0.1933	0.1933	0.2055	0.1994	0.2040	0.2099	0.2587	0.2619	0.2495
AUDIT	0.0152	0.0149	0.0149	0.0108	0.0110	0.0100	0.0100	0.0096	0.0096	0.0089
RETIREMENT	0.1796	0.1510	0.1668	0.2007	0.2021	0.2150	0.2212	0.2756	0.2787	0.2495
LIABILITY INSURANCE	0.0897	0.0874	0.0874	0.1241	0.1611	0.1627	0.1673	0.1294	0.1295	0.1636
SCHOOL CROSSING GUARD	0.0092	0.0085	0.0085	0.0057	0.0069	0.0067	0.0069	0.0068	0.0070	0.0056
AMBULANCE SERVICE	0.2475	0.2304	0.2204	0.2302	0.2389	0.2411	0.2481	0.2418	0.2500	0.2462
PUBLIC COMFORT STATION	0.0128	0.0121	0.0122	0.0124	0.0126	0.0124	0.0171	0.0141	0.0141	0.0084
TOTAL RATE-CITY CORP	1.5390	1.5026	1.5645	1.6253	1.6883	1.7418	1.7868	1.8292	1.8614	1.9014
LIBRARY	0.1485	0.1500	0.1500	0.1500	0.1500	0.1492	0.1500	0.1451	0.1500	0.1477
LIBRARY LIABILITY INSURANCE		0.0174	0.0175	0.0229	0.0170	0.0193	0.0176	0.0175	0.0189	0.0183
TOTAL TAX RATE	1.6875	1.6700	1.7320	1.7982	1.8553	1.9103	1.9544	1.9918	2.0303	2.0674
TAX EXTENSIONS:										
GENERAL	\$ 588,737	\$ 628,917	\$ 629,053	\$ 617,468	\$ 609,835	\$ 600,869	\$ 587,202	\$ 572,603	\$ 591,449	\$ 591,549
POLICE	132,676	141,648	141,679	139,069	137,350	135,341	132,253	129,103	133,209	133,319
FIRE	132,676	141,648	141,679	139,069	137,350	135,341	132,253	129,103	133,209	133,319
COMMUNITY BUILDING	132,676	141,648	141,679	139,069	137,350	135,341	132,253	129,103	133,209	133,319
PLAYGROUND & REC	159,104	169,978	170,014	166,883	164,820	162,373	158,703	154,887	159,851	160,019
BAND	42,678	45,139	46,659	46,727	47,065	46,081	45,671	46,057	46,002	46,003
POLICE PENSION	217,316	251,378	355,708	301,688	334,402	399,128	409,807	427,496	420,408	551,859
SOCIAL SECURITY	353,028	365,074	365,153	381,050	365,169	370,100	370,131	460,039	465,167	450,111
AUDIT	27,142	28,141	28,147	20,026	20,145	18,142	17,634	17,071	17,051	16,056
RETIREMENT	320,707	285,185	315,093	372,150	370,113	390,057	390,057	490,091	495,006	450,111
LIABILITY INSURANCE	160,175	165,067	165,103	230,113	295,028	295,173	295,012	230,108	230,008	295,143
SCHOOL CROSSING GUARD	16,428	16,053	16,057	10,569	12,636	12,155	12,167	12,092	12,433	10,103
AMBULANCE SERVICE	441,954	435,143	416,346	426,850	437,506	437,408	437,492	429,986	444,031	444,157
PUBLIC COMFORT STATION	22,857	22,853	23,046	22,993	23,075	22,496	30,154	25,074	25,043	15,154
TOTAL RATE-CITY CORP	2,748,154	2,837,872	2,955,416	3,013,724	3,091,844	3,160,005	3,150,789	3,252,813	3,306,076	3,430,222
LIBRARY	265,173	283,296	283,357	278,139	274,701	270,681	264,505	258,027	266,419	266,458
LIBRARY LIABILITY INSURANCE		32,862	33,058	42,463	31,133	35,014	31,035	31,120	33,569	33,014
TOTAL EXTENSIONS	\$ 3,013,327	\$ 3,154,030	\$ 3,271,831	\$ 3,334,326	\$ 3,397,678	\$ 3,465,700	\$ 3,446,329	\$ 3,541,960	\$ 3,606,064	\$ 3,729,694

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 <u>IN</u>	<u>MADISON COUNTY</u>	<u>SALINE TOWNSHIP</u>	<u>SALINE ROAD & 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>
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
2015	0.7073	0.1439	0.3179	4.9043	2.0303	0.4637	8.5674
2016	0.6514	0.1422	0.3231	4.8699	2.0674	0.4743	8.5283

RESIDENTS LIVING IN THE CITY OF HIGHLAND IN HELVETIA TOWNSHIP

YEAR LEVIED IN <u>IN</u>	<u>MADISON COUNTY</u>	<u>HELVETIA TOWNSHIP</u>	<u>HELVETIA ROAD & 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>
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
2015	0.7073	0.1694	0.4479	4.9043	2.0303	0.4637	8.7229
2016	0.6514	0.1669	0.4483	4.8699	2.0674	0.4743	8.6782

CITY OF HIGHLAND, ILLINOIS
COMPUTATION OF LEGAL DEBT MARGIN
APRIL 30, 2017

ASSESSED VALUATION FOR 2016	\$ 180,405,083
STATUTORY DEBT LIMITATION: 8.625% of Assessed Valuation	15,559,938
TOTAL GENERAL OBLIGATION DEBT	<u>0</u>
LEGAL DEBT MARGIN	<u><u>\$ 15,559,938</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
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
2016	9,919	177,612,345	0	0.000	0.00
2017	9,919	180,405,083	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		
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%
2016	0	0	0	17,764,422	0.0%
2017	0	0	0	14,689,100	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 & GASB 68 PENSION EXPENSE	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
2016	15,725,410	13,507,866	899,388	1,318,157	510,000	20,400	530,400	2.49
2017	16,379,517	13,877,815	1,169,150	1,332,552	na	na	na	na

*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 & GASB 68 PENSION EXPENSE	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
2016	15,725,410	13,507,866	2,217,544	141,163	315,000	584,388	899,388	2.47	2.31
2017	16,379,517	13,877,815	2,501,702	137,530	595,000	574,150	1,169,150	2.14	2.02

**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 & GASB 68 PENSION EXPENSE	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
2016	15,725,410	13,507,866	2,217,544	141,163	825,000	604,788	1,429,788	1.45
2017	16,379,517	13,877,815	2,501,702	137,530	595,000	574,150	1,169,150	2.02

****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

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

YEAR ENDING APRIL 30,	CONSTRUCTION					ASSESSMENT YEAR	PROPERTY VALUE (IN 000'S) **			
	RESIDENTIAL		COMMERCIAL AND INDUSTRIAL		TOTAL		RESIDENTIAL	COMMERCE & INDUSTRY	RAILROAD & FARM	TOTAL
	NO. OF PERMITS	VALUE (in 000's)	NO. OF PERMITS	VALUE (in 000's)						
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	13,188	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
2016	255	5,400	40	4,272	9,672	2015	384,168	147,943	726	532,837
2017	243	7,222	38	1,369	8,591	2016	389,057	151,373	785	541,215

** 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 EXPENSES INCLUDING DEPRECIATION, INTEREST AND GASB 68 PENSION EXPENSE			INCOME (LOSS) EXCLUDING OTHER INCOME	
	OPERATING REVENUE	AMOUNT	PERCENT OF OPERATING REVENUE	AMOUNT	PERCENT OF OPERATING REVENUE
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	15,489,666	101.46	(223,388)	(1.46)
2016	15,483,184	15,937,329	102.93	(454,145)	(2.93)
2017	16,038,325	16,499,976	102.88	(461,651)	(2.88)

*The City does not budget for depreciation or pension 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, INTEREST AND GASB 68 PENSION EXPENSE		INCOME (LOSS) EXCLUDING OTHER INCOME	
		AMOUNT	PERCENT OF GROSS REVENUE	AMOUNT	PERCENT OF GROSS REVENUE
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	2,197,558	111.46	(225,868)	(11.46)
2016	2,028,123	2,203,540	108.65	(175,417)	(8.65)
2017	2,309,309	2,137,841	92.57	171,468	7.43

*The City does not budget for depreciation or pension 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, INTEREST AND GASB 68 PENSION EXPENSE		INCOME (LOSS) EXCLUDING OTHER INCOME	
		AMOUNT	PERCENT OF GROSS REVENUE	AMOUNT	PERCENT OF GROSS REVENUE
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	2,081,066	99.92	1,568	0.08
2016	2,138,010	2,128,431	99.55	9,579	0.45
2017	2,281,337	2,140,575	93.83	140,762	6.17

*The City does not budget for depreciation or pension expense.

TABLE 14

CITY OF HIGHLAND, ILLINOIS
 MISCELLANEOUS STATISTICS
 APRIL 30, 2017 (UNAUDITED)

Date of Incorporation	1884
Form of Government	Council/Manager
Number of Employees -	
Total	318
Full Time	116
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	33 Volunteers
Fire Insurance Rating	4

Police Protection:

Number of Policemen and Officers	20
Number of Police Vehicles	13

Ambulance:

Number of Ambulances in Service	3
Number of Ambulances in Reserve	1
Number of Paramedics and Emergency Medical Technicians	28

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	6,606 customers
Area Served	47.8 square miles

Water Service:

Number of Accounts	4,682 customers
Water Districts	4
Average Daily Demand	1.195 MG/day
Treatment Capacity	4.2 MG/day

Sewer Service:

Number of Accounts	4,323 customers
Present Flow	1.493 MG/day

FACILITIES AND SERVICES NOT INCLUDED IN THE REPORTING ENTITY:

Education: All Schools in District	No. of schools	Teachers	Enrollment
Elementary (K-6)	4	109	1,407
Middle School	2	46	719
High School	1	<u>60</u>	<u>906</u>
		215	3,032

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