

**CITY OF HILLSBORO, ILLINOIS**

**Annual Financial Report**

**April 30, 2014**

**PATTON & COMPANY, P.C.**

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**Certified Public Accountants**

CITY OF HILLSBORO, ILLINOIS

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**CITY OF HILLSBORO, ILLINOIS**

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# PATTON & COMPANY, P.C.

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## **REPORT OF INDEPENDENT AUDITORS**

To the Honorable Mayor and Members of the City of Council  
City of Hillsboro, Illinois:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hillsboro, Illinois, as of and for the year ended April 30, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 judgement, 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 government'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 government'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**

### *Basis for Qualified Opinions on the Governmental Activities, the Business-Type Activities and Each Major Proprietary Fund*

The City of Hillsboro, Illinois, has not recognized the other post-employment benefit (OPEB) expense or obligation which is required in accordance with U.S. generally accepted accounting principles and under Government Accounting Standards Board (GASB) Statement No. 45, to be recorded in the government-wide financial statements and in the proprietary fund financial statements. The effects of that departure on the financial statements are not reasonably determinable. The City of Hillsboro, Illinois has also not disclosed the descriptive information about the other post-employment benefits required by standards.

### *Qualified Opinions on the Governmental Activities, the Business-Type Activities and Each Major Proprietary Fund*

In our opinion, except for the omission of the OPEB expense, obligation and disclosures as described in the "Basis for Qualified Opinions on the Governmental Activities, the Business-Type Activities and Each Major Proprietary Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major proprietary fund of the City of Hillsboro, Illinois, as of April 30, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in accordance with U.S. generally accepted accounting principles.

### *Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the City of Hillsboro, Illinois, as of April 30, 2014, and the respective changes in financial position, thereof, for the year 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 pension trend information and major funds budgetary comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic

or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Management has omitted management's discussion and analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not effected by the missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hillsboro, Illinois', financial statements. The supplementary information is presented for the purpose of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2014, on our consideration of the City of Hillsboro, Illinois', internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hillsboro, Illinois', internal control over financial reporting and compliance.



July 15, 2014

Hillsboro, Illinois

# PATTON & COMPANY, P.C.

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

### **Report of Independent Auditors**

To the Honorable Mayor and Members of the City Council  
City of Hillsboro, Illinois:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hillsboro, Illinois, as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Hillsboro, Illinois, financial statements and have issued our report thereon dated July 15, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Hillsboro, Illinois', internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hillsboro, Illinois', internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hillsboro, Illinois', internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the government's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Hillsboro, Illinois', financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the government's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



July 15, 2014

Hillsboro, Illinois



**BASIC FINANCIAL STATEMENTS**

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Net Position  
April 30, 2014**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 2,634,536	\$ 1,278,315	\$ 3,912,851
Certificates of deposit	327,942	-	327,942
Investments	106	-	106
Restricted cash and cash equivalents	-	636,551	636,551
Receivables (net of allowance for uncollectibles):			
Taxes	1,190,716	-	1,190,716
Intergovernmental	7,759	-	7,759
Notes	39,601	-	39,601
Other	12,671	530,601	543,272
Internal balances	55,180	(55,180)	-
Capital assets, not being depreciated	3,226,455	121,466	3,347,921
Capital assets, being depreciated (net of accumulated depreciation)	<u>4,291,687</u>	<u>17,060,713</u>	<u>21,352,400</u>
 Total assets	 <u>11,786,653</u>	 <u>19,572,466</u>	 <u>31,359,119</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Net Position  
April 30, 2014  
(Continued)**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b><u>Liabilities and Deferred Inflows of Resources</u></b>			
Current liabilities:			
Accounts payable	\$ 47,042	\$ 61,487	\$ 108,529
Accrued wages	52,699	18,374	71,073
Accrued interest	-	74,449	74,449
Bonds payable	-	495,000	495,000
Notes payable	109,652	81,324	190,976
Compensated absences	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total current liabilities	<u>219,393</u>	<u>730,634</u>	<u>950,027</u>
Noncurrent liabilities:			
Bonds payable	-	8,455,000	8,455,000
Refundable deposits	-	44,000	44,000
Compensated absences	107,000	-	107,000
Notes payable	<u>358,116</u>	<u>833,392</u>	<u>1,191,508</u>
Total noncurrent liabilities	<u>465,116</u>	<u>9,332,392</u>	<u>9,797,508</u>
Total liabilities	<u>684,509</u>	<u>10,063,026</u>	<u>10,747,535</u>
Deferred inflows of resources:			
Unavailable property taxes	<u>911,180</u>	<u>-</u>	<u>911,180</u>
Total deferred inflows of resources	<u>911,180</u>	<u>-</u>	<u>911,180</u>
Total liabilities and deferred inflows of resources	<u>1,595,689</u>	<u>10,063,026</u>	<u>11,658,715</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	7,050,374	7,317,463	14,367,837
Restricted for public safety	124,043	-	124,043
Restricted for highways and streets	131,747	-	131,747
Restricted for debt	-	636,551	636,551
Restricted for culture and recreation	672,714	-	672,714
Restricted for economic development	269,849	-	269,849
Restricted for general government	278,918	-	278,918
Unrestricted	<u>1,663,319</u>	<u>1,555,426</u>	<u>3,218,745</u>
Total net position	<u>\$ 10,190,964</u>	<u>\$ 9,509,440</u>	<u>\$ 19,700,404</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Activities  
Year Ended April 30, 2014**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 929,711	\$ 65,305	\$ -
Public safety	1,480,673	112,099	-
Streets and roads	1,137,657	-	-
Culture and recreation	651,285	266,125	35,814
Interest expense	<u>10,675</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>4,210,001</u>	<u>443,529</u>	<u>35,814</u>
Business-type activities:			
Water	1,708,720	1,998,996	-
Sewer	<u>819,041</u>	<u>726,196</u>	<u>-</u>
Total business-type activities	<u>2,527,761</u>	<u>2,725,192</u>	<u>-</u>
Total primary government	<u>\$ 6,737,762</u>	<u>\$ 3,168,721</u>	<u>\$ 35,814</u>
General revenues:			
Taxes:			
Motor fuel			
Property and replacement			
Income			
Sales			
Fire			
Utility			
Investment income			
Miscellaneous			
Transfers			
Total general revenues			
Change in net position			
Net position, beginning			
Net position, ending			

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Activities  
Year Ended April 30, 2014**

<u>Program Revenues</u> <u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	
\$ -	\$ (864,406)	\$ -	\$ (864,406)
-	(1,368,574)	-	(1,368,574)
-	(1,137,657)	-	(1,137,657)
-	(349,346)	-	(349,346)
-	(10,675)	-	(10,675)
<u>-</u>	<u>(3,730,658)</u>	<u>-</u>	<u>(3,730,658)</u>
-	-	290,276	290,276
-	-	(92,845)	(92,845)
-	-	197,431	197,431
\$ <u>-</u>	<u>(3,730,658)</u>	<u>197,431</u>	<u>(3,533,227)</u>
	153,237	-	153,237
	982,906	-	982,906
	622,183	-	622,183
	762,500	-	762,500
	7,609	-	7,609
	829,034	-	829,034
	7,144	5,562	12,706
	389,051	-	389,051
	<u>2,838</u>	<u>(2,838)</u>	<u>-</u>
	<u>3,756,502</u>	<u>2,724</u>	<u>3,759,226</u>
	25,844	200,155	225,999
	<u>10,165,120</u>	<u>9,309,285</u>	<u>19,474,405</u>
	\$ <u>10,190,964</u>	\$ <u>9,509,440</u>	\$ <u>19,700,404</u>

**CITY OF HILLSBORO, ILLINOIS**

**Balance Sheet  
Governmental Funds  
April 30, 2014**

<u>Assets</u>	<u>General Fund</u>	<u>CDAP Revolving Loan Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Library Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,254,233	\$ 230,248	\$ 92,984	\$ 57,071	\$ 2,634,536
Certificates of deposit	-	-	-	327,942	327,942
Investments	-	-	-	106	106
Receivables:					
Taxes	1,085,773	-	38,763	66,180	1,190,716
Intergovernmental	-	-	-	7,759	7,759
Notes	-	39,601	-	-	39,601
Accounts	12,553	-	-	-	12,553
Due from other funds	63,339	-	-	-	63,339
Accrued interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>118</u>	<u>118</u>
 Total assets	 <u>\$ 3,415,898</u>	 <u>\$ 269,849</u>	 <u>\$ 131,747</u>	 <u>\$ 459,176</u>	 <u>\$ 4,276,670</u>
 <b><u>Liabilities and Deferred Inflows of Resources</u></b>					
Accounts payable	\$ 47,042	\$ -	\$ -	\$ -	\$ 47,042
Due to other funds	5,350	-	-	2,809	8,159
Accrued wages	<u>52,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,699</u>
 Total liabilities	 <u>105,091</u>	 <u>-</u>	 <u>-</u>	 <u>2,809</u>	 <u>107,900</u>
 <b><u>Deferred Inflows of Resources</u></b>					
Unavailable property taxes	<u>845,000</u>	<u>-</u>	<u>-</u>	<u>66,180</u>	<u>911,180</u>
Total deferred inflows of resources	<u>845,000</u>	<u>-</u>	<u>-</u>	<u>66,180</u>	<u>911,180</u>
 Total liabilities and deferred inflows of resources	 <u>950,091</u>	 <u>-</u>	 <u>-</u>	 <u>68,989</u>	 <u>1,019,080</u>
 <b><u>Fund Balances</u></b>					
Restricted	-	269,849	131,747	390,187	791,783
Committed	685,488	-	-	-	685,488
Unassigned	<u>1,780,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,780,319</u>
 Total fund balances	 <u>2,465,807</u>	 <u>269,849</u>	 <u>131,747</u>	 <u>390,187</u>	 <u>3,257,590</u>
 Total liabilities and fund balances	 <u>\$ 3,415,898</u>	 <u>\$ 269,849</u>	 <u>\$ 131,747</u>	 <u>\$ 459,176</u>	 <u>\$ 4,276,670</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Reconciliation of Fund Balances of Governmental Funds to the  
Governmental Activities in the Statement of Net Position  
April 30, 2014**

Fund balances of the governmental funds	\$ 3,257,590
Capital assets used in governmental activities of \$18,025,672, net of accumulated depreciation of \$10,507,530 are not financial resources and, therefore, are not reported in the governmental funds	7,518,142
Notes payable are not due and payable in the current period and, therefore, are not reported in the governmental funds	(467,768)
Compensated absences	<u>(117,000)</u>
Net position of governmental activities	\$ <u>10,190,964</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended April 30, 2014**

	<b>General Fund</b>	<b>CDAP Revolving Loan Fund</b>	<b>Motor Fuel Tax Fund</b>	<b>Library Fund</b>	<b>Total</b>
<b>Revenue:</b>					
Taxes	\$ 3,119,208	\$ -	\$ 153,237	\$ 85,024	\$ 3,357,469
Intergovernmental	12,600	-	-	35,814	48,414
Charges for services	304,474	-	-	5,789	310,263
Fines	55,361	-	-	-	55,361
Licenses and permits	65,305	-	-	-	65,305
Investment income	1,470	2,247	12	3,415	7,144
Reimbursements and miscellaneous	<u>328,132</u>	<u>-</u>	<u>57,114</u>	<u>3,805</u>	<u>389,051</u>
Total revenues	<u>3,886,550</u>	<u>2,247</u>	<u>210,363</u>	<u>133,847</u>	<u>4,233,007</u>
<b>Expenditures:</b>					
Current:					
General government	877,861	3,873	-	-	881,734
Public safety	1,389,768	-	-	-	1,389,768
Streets and roads	720,839	-	155,250	-	876,089
Parks, culture, and public property	521,137	-	-	130,148	651,285
Capital outlay	114,208	-	-	-	114,208
Debt service:					
Principal	222,316	-	-	-	222,316
Interest	<u>10,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,675</u>
Total expenditures	<u>3,856,804</u>	<u>3,873</u>	<u>155,250</u>	<u>130,148</u>	<u>4,146,075</u>
Excess (deficiency) of revenues over expenditures	<u>29,746</u>	<u>(1,626)</u>	<u>55,113</u>	<u>3,699</u>	<u>86,932</u>
<b>Other financing sources (uses):</b>					
From borrowing	392,000	-	-	-	392,000
Transfers in	2,838	-	-	-	2,838
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>394,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>394,838</u>
Net change in fund balances	424,584	(1,626)	55,113	3,699	481,770
Fund balances, beginning	<u>2,041,223</u>	<u>271,475</u>	<u>76,634</u>	<u>386,488</u>	<u>2,775,820</u>
Fund balances, ending	<u>\$ 2,465,807</u>	<u>\$ 269,849</u>	<u>\$ 131,747</u>	<u>\$ 390,187</u>	<u>\$ 3,257,590</u>

See notes to the financial statements.



CITY OF HILLSBORO, ILLINOIS

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Governmental  
Activities in the Statement of Activities  
Year Ended April 30, 2014

Net change in fund balances - total governmental funds	\$ 481,770
Assets reported for governmental activities on the statement of net position are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those costs over the lives of the assets:	
Capital assets purchased	114,208
Depreciation expense	(402,450)
Decrease in compensated absences	2,000
Debt issued or incurred:	
Principal repayments	222,316
Issuance of notes	(392,000)
Change in net position of governmental activities	\$ <u>25,844</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Net Position  
Proprietary Funds  
April 30, 2014**

	<u>Business-Type Activities - Enterprise Funds</u>		
<u>Assets</u>	<u>Waterworks</u>	<u>Sewerage</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
Current assets:			
Cash and cash equivalents	\$ 893,998	\$ 384,317	\$ 1,278,315
Restricted cash and cash equivalents	636,551	-	636,551
Accounts receivable (net of allowance for uncollectibles)	<u>350,601</u>	<u>180,000</u>	<u>530,601</u>
Total current assets	1,881,150	564,317	2,445,467
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>14,188,292</u>	<u>2,993,887</u>	<u>17,182,179</u>
Total assets	<u>16,069,442</u>	<u>3,558,204</u>	<u>19,627,646</u>
 <b><u>Liabilities and Net Position</u></b>			
Current liabilities:			
Accounts payable	42,694	18,793	61,487
Accrued wages	12,023	6,351	18,374
Accrued interest	74,449	-	74,449
Bonds payable (net of deferred loss)	393,000	102,000	495,000
Due to other funds	55,180	-	55,180
Notes payable	<u>40,662</u>	<u>40,662</u>	<u>81,324</u>
Total current liabilities	<u>618,008</u>	<u>167,806</u>	<u>785,814</u>
Noncurrent liabilities:			
Bonds payable	7,983,000	472,000	8,455,000
Refundable deposits	44,000	-	44,000
Notes payable	<u>416,696</u>	<u>416,696</u>	<u>833,392</u>
Total noncurrent liabilities	<u>8,443,696</u>	<u>888,696</u>	<u>9,332,392</u>
Total liabilities	<u>9,061,704</u>	<u>1,056,502</u>	<u>10,118,206</u>
Net position:			
Net investment in capital assets	5,354,934	1,962,530	7,317,464
Restricted for debt	636,551	-	636,551
Unrestricted	<u>1,016,253</u>	<u>539,172</u>	<u>1,555,425</u>
Total net position	\$ <u>7,007,738</u>	\$ <u>2,501,702</u>	\$ <u>9,509,440</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year Ended April 30, 2014**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Waterworks</u>	<u>Sewerage</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
<b>Operating revenues:</b>			
Charges for service	\$ 1,979,252	\$ 720,057	\$ 2,699,309
Other	<u>19,744</u>	<u>6,139</u>	<u>25,883</u>
Total operating revenues	<u>1,998,996</u>	<u>726,196</u>	<u>2,725,192</u>
<b>Operating expenses:</b>			
Travel and training	841	200	1,041
Salaries	265,290	155,050	420,340
Payroll taxes and pension	75,676	44,028	119,704
Testing	6,820	29,366	36,186
Insurance	123,844	67,527	191,371
Administration	63,357	62,737	126,094
Utilities	79,815	63,771	143,586
Chemicals and materials	220,191	41,338	261,529
Repairs and maintenance	78,679	84,502	163,181
Miscellaneous	3,725	2,966	6,691
Computer	236	263	499
Professional fees	30,240	-	30,240
Depreciation	<u>489,268</u>	<u>233,948</u>	<u>723,216</u>
Total operating expenses	<u>1,437,982</u>	<u>785,696</u>	<u>2,223,678</u>
Operating income (loss)	<u>561,014</u>	<u>(59,500)</u>	<u>501,514</u>
<b>Nonoperating revenues (expenses):</b>			
Interest on investments	5,051	511	5,562
Interest and fees on bonds	<u>(270,738)</u>	<u>(33,345)</u>	<u>(304,083)</u>
Total nonoperating revenues (expenses)	<u>(265,687)</u>	<u>(32,834)</u>	<u>(298,521)</u>
Net income (loss) before transfers	<u>295,327</u>	<u>(92,334)</u>	<u>202,993</u>
Transfers in	-	56,189	56,189
Transfers out	<u>(56,189)</u>	<u>(2,838)</u>	<u>(59,027)</u>
Total transfers	<u>(56,189)</u>	<u>53,351</u>	<u>(2,838)</u>
Change in net position	239,138	(38,983)	200,155
Net position, beginning	<u>6,768,600</u>	<u>2,540,685</u>	<u>9,309,285</u>
Net position, ending	<u>\$ 7,007,738</u>	<u>\$ 2,501,702</u>	<u>\$ 9,509,440</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Cash Flows  
Proprietary Funds  
Year Ended April 30, 2014**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Waterworks</u>	<u>Sewerage</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 1,983,395	\$ 753,196	\$ 2,736,591
Payments to suppliers	(616,397)	(349,209)	(965,606)
Payments to employees	(339,831)	(198,524)	(538,355)
Customers' deposits	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net cash provided by (used for) operating activities	<u>1,028,167</u>	<u>205,463</u>	<u>1,233,630</u>
 <b>Cash flows from noncapital financing activities:</b>			
Transfers from (to) other funds	<u>(56,189)</u>	<u>53,351</u>	<u>(2,838)</u>
Net cash provided by (used for) noncapital financing activities	<u>(56,189)</u>	<u>53,351</u>	<u>(2,838)</u>
 <b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(16,210)	(7,040)	(23,250)
Principal paid on capital debt	(424,637)	(139,637)	(564,274)
Interest and fees paid on capital debt	<u>(272,305)</u>	<u>(33,345)</u>	<u>(305,650)</u>
Net cash provided by (used for) capital and related financing activities	<u>(713,152)</u>	<u>(180,022)</u>	<u>(893,174)</u>
 <b>Cash flows from investing activities:</b>			
Interest	<u>5,051</u>	<u>511</u>	<u>5,562</u>
Net cash provided by investing activities	<u>5,051</u>	<u>511</u>	<u>5,562</u>
 Change in cash and cash equivalents	263,877	79,303	343,180
Cash and cash equivalents, beginning	<u>1,266,672</u>	<u>305,014</u>	<u>1,571,686</u>
 Cash and cash equivalents, ending	<u>\$ 1,530,549</u>	<u>\$ 384,317</u>	<u>\$ 1,914,866</u>
 <b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 561,014	\$ (59,500)	\$ 501,514
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	489,268	233,947	723,215
Change in assets and liabilities:			
Refundable deposits	1,000	-	1,000
Decrease (increase) in receivables	(15,601)	27,000	11,399
Increase (decrease) in payables	<u>(7,514)</u>	<u>4,016</u>	<u>(3,498)</u>
Net cash provided by operating activities	<u>\$ 1,028,167</u>	<u>\$ 205,463</u>	<u>\$ 1,233,630</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Fiduciary Net Position  
Fiduciary Funds  
April 30, 2014**

	<u>Pension Trust Funds</u>		<u>Total</u>
	<u>Firefighters Pension</u>	<u>Police Pension</u>	
<b><u>Assets</u></b>			
Cash	\$ 30,532	\$ 597,694	\$ 628,226
Certificates of deposit	509,195	311,709	820,904
Mutual funds	135,442	205,970	341,412
Contribution receivable	71,000	113,000	184,000
Accrued interest	<u>751</u>	<u>-</u>	<u>751</u>
Total assets	<u>746,920</u>	<u>1,228,373</u>	<u>1,975,293</u>
<b><u>Liabilities and Net Position</u></b>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net position held in trust for pension benefits	<u>\$ 746,920</u>	<u>\$ 1,228,373</u>	<u>\$ 1,975,293</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended April 30, 2014**

	<u>Pension Trust Funds</u>		
	<u>Firefighters</u>	<u>Police</u>	
	<u>Pension</u>	<u>Pension</u>	<u>Total</u>
<b>Additions:</b>			
Contributions - employer	\$ 70,788	\$ 127,011	\$ 197,799
Contributions - employee	<u>18,259</u>	<u>35,725</u>	<u>53,984</u>
Total contributions	<u>89,047</u>	<u>162,736</u>	<u>251,783</u>
Investment income:			
Investment income	10,716	11,698	22,414
Net increase in fair value of investments	<u>7,961</u>	<u>21,362</u>	<u>29,323</u>
Total investment income	<u>18,677</u>	<u>33,060</u>	<u>51,737</u>
Total additions	<u>107,724</u>	<u>195,796</u>	<u>303,520</u>
<b>Deductions:</b>			
Benefits	30,234	37,952	68,186
Administration	<u>7,905</u>	<u>6,465</u>	<u>14,370</u>
Total deductions	<u>38,139</u>	<u>44,417</u>	<u>82,556</u>
Change in net position	69,585	151,379	220,964
<b>Net position held in trust for pension benefits:</b>			
Beginning of year	<u>677,335</u>	<u>1,076,994</u>	<u>1,754,329</u>
End of year	\$ <u>746,920</u>	\$ <u>1,228,373</u>	\$ <u>1,975,293</u>

See notes to the financial statements.

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### Note 1 - Summary of Significant Accounting Policies

As discussed in Note 1.C., these financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

#### 1.A. - Financial Reporting Entity

The City is a municipal corporation governed by a five-member Council consisting of four commissioners and the Mayor. The City provides the following services: general government, public safety (police), street, and water and sewer services.

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City should be included within. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based on these criteria, there are no potential component units which are required to be included in the accompanying financial statements.

#### 1.B. - Basis of Presentation

##### Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the City as a whole. They include all funds of the City except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

##### Fund Financial Statements

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/ expenses. Funds are classified into the following categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the main operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements  
April 30, 2014

Note 1 - Summary of Significant Accounting Policies, continued

- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. A fund that does not meet the criteria of (a) and (b), but for which management has determined is of such significance to be reported as a major fund.

The major funds of the financial reporting entity are described below:

**Governmental Funds**

The General Fund is the main operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The CDAP Revolving Loan Fund accounts for payments and loans disbursed per restrictions of the Revolving Fund.

The Motor Fuel Tax Fund accounts for motor fuel tax revenues and expenditures for road improvements.

The Library Fund accounts for all library revenue and expenditures related to library use only.

**Proprietary Funds**

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds*, the City has chosen not to apply all FASB statements and interpretations, issued on or after November 30, 1989. The City reports the following major enterprise funds:

<u>Fund</u>	<u>Brief Description</u>
Waterworks Fund	Provides water service to the City and surrounding area. Operations of the Waterworks Fund are designed to be self-supporting through user charges.
Sewerage Fund	Provides wastewater service to the City and surrounding area. Operations of the Sewerage Fund are designed to be self-supporting through user charges.



# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### Note 1 - Summary of Significant Accounting Policies, continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Waterworks and Sewerage Funds are charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses, and depreciation. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **Fiduciary Funds**

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City has the following fiduciary fund type:

**Pension Trust Funds** - Are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Plan member contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The pension trust funds account for the assets of the City's police and firefighters pension plans.

**Police Pension Fund**: To account for the accumulation of resources needed to pay pension costs when due. Resources are contributions from police force members at rates fixed by state statutes and City contributions in the form of an annual property tax levy.

**Firefighter's Pension Fund**: To account for the accumulation of resources needed to pay pension costs when due. Resources are contributions from fire department members at rates fixed by state statutes and City contributions in the form of an annual property tax levy.

#### **1.C. - Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "what" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### **Measurement Focus**

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, as defined in item b below.

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### Note 1 - Summary of Significant Accounting Policies, continued

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

#### Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they occur and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (defined as 60 days) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred. All proprietary funds utilize the accrual basis of accounting.

Property taxes are recognized as revenues in the year for which they are budgeted.

#### **1.D. - Assets, Liabilities, and Equity**

##### Cash and Cash Equivalents

For the purposes of financial reporting, “cash and cash equivalents” includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### Note 1 - Summary of Significant Accounting Policies, continued

#### Investments

Investments consist entirely of non-negotiable certificates of deposit whose original maturity term exceeds three months. All non-negotiable certificates of deposit whose original maturity term exceeds three months are carried at cost. The Library Fund also has a stock that is held independently. It is valued at fair value as of April 30, 2014.

#### Receivables

In the government-wide statements, receivables consist of all revenues recognized as of year-end and not yet received. Major receivable balances for the governmental activities include sales tax and property tax. Business-type activities report utilities as its major receivables.

#### Notes Receivable

The City has total notes receivable of \$39,601 at April 30, 2014, comprised of individual notes from various local businesses. The receivables are from a revolving loan account maintained by the City. Payments are being made monthly.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, property taxes and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if received within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

#### Inventories

The City has chosen to record consumable materials and supplies as expenditures at the time of purchase and, due to its immaterial amount, no balances for inventory on-hand are reported on the balance sheet.

#### Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary funds and whether they are reported in the government-wide or fund financial statements.

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### Note 1 - Summary of Significant Accounting Policies, continued

#### *Government-Wide Statements*

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to April 30, 2004. Infrastructure assets acquired since May 1, 2004, are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. Capitalization thresholds of \$5,000 on equipment, \$20,000 for buildings and improvements, and \$100,000 for infrastructure are used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- Equipment and Tools - 10 years
- Vehicles under 13,000 gross vehicle weight - 5 years
- Vehicles over 13,000 gross vehicle weight - 10 years
- Other Improvements - 20 years
- Buildings - 40-50 years
- Road Improvements - 10 years
- New Infrastructure - 40 years
- Fire Trucks - 20 years
- Water and Sewer Improvements - 10-40 years
- Water and Sewer Equipment - 5 years

#### *Fund Financial Statements*

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

#### Long-Term Debt

All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements.

Long-term debt of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for debt is the same in the proprietary fund financial statements as the treatment in the government-wide statements.

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### Note 1 - Summary of Significant Accounting Policies, continued

#### Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Assets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an *inflow of resources (revenue)* until that time. Unavailable revenues in governmental funds include receivables not "available" to finance the current period.

#### Equity Classification

##### *Government-Wide Statements*

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

##### *Fund Financial Statements - Fund Balance Classifications*

This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The City reports the following fund balance reporting classifications in accordance with the provisions of the statement:

*Nonspendable Fund Balance* - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted Fund Balance* - The restricted fund balance classification includes amounts that are restricted to specific purposes. Fund balances are reported as restricted when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements  
April 30, 2014

**Note 1 - Summary of Significant Accounting Policies, continued**

- b. Imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority.

*Assigned Fund Balance* - The assigned fund balance classification includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned Fund Balance* - The unassigned fund balance classification includes amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The City's policy is to spend restricted fund balance before spending unrestricted fund balance when an expenditure is paid for purposes for which both restricted and unrestricted fund balance is available except for instances where a City budget resolution specifies the fund balance.

The City's policy is that committed and assigned fund balances are considered to have been spent before unassigned balances have been spent when an expenditure is paid for purposes for which amounts in any of those unrestricted fund balance classifications could be used except for instances where a City budget ordinance specifies the fund balance.

**1.E. - Revenues, Expenditures, and Expenses**

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenue:

General Government Function	Licenses, permits and rentals.
Public Safety Function	Fine revenues, rural protection fees and reimbursement from the Villages of Schram City and Taylor Springs.
Culture and Recreation Function	Fees for boating, camping, and swimming. Library fines, fees and per capita grant.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### Note 1 - Summary of Significant Accounting Policies, continued

#### 1.F. - Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

#### Fund Financial Statements

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - Repayments from funds responsible for certain expenditures/ expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

#### Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements  
April 30, 2014

Note 1 - Summary of Significant Accounting Policies, continued

1.G. - Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

1.H. - Property Taxes

The City's property tax is levied on assessed values established by the County Assessor's office at varying rates of assessed market value depending on whether the property is commercial or residential. The budget and appropriation ordinance was approved on June 11, 2013, and the tax levy was passed by the Board on November 26, 2013. Property taxes attach as an enforceable lien on property as of January 1, and are usually payable in two installments on or about June 1<sup>st</sup> and September 1<sup>st</sup>, during the following fiscal year. The City usually receives distributions from the County Collector in the months of July through November.

The assessed value upon which the 2012 levy was based totaled \$42,019,370.

The following are the tax rates applicable to the various levies per \$100.00 of assessed valuation:

	Maximum 2012 Levy	2012 Actual
General corporate	.25000	.25000
Fire protection	.07500	.07500
Police protection	.07500	.07500
Audit	as needed	.03570
Liability insurance	as needed	.26179
Social security	as needed	.29868
Unemployment	as needed	.00881
Workers' compensation	as needed	.22847
IMRF	as needed	.29211
Fire Pension	as needed	.13613
Police Pension	as needed	<u>.25560</u>
		<u>1.91729</u>
Library	.15000	<u>.15000</u>



**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2014**

**Note 1 - Summary of Significant Accounting Policies, continued**

For governmental funds, only property taxes which are intended to finance the current fiscal year and collected within 60 days subsequent to year-end are recorded as revenue. Property tax revenue in these financial statements is from the 2012 tax year. Property taxes for the 2013 levy are payable in 2014 and intended to finance the 2015 fiscal year and are not considered available for current operations and are, therefore, shown as deferred inflows of resources.

**1.I. - Compensated Absences**

Employees are granted vacation and sick leave in varying amounts based on tenure. An expense and liability for accrued vacation and sick leave is only reported in the government-wide and proprietary fund financial statements to the extent at which it is accrued for vested employees. An expense and liability for these amounts is only reported in the governmental funds if they have matured as a result of employee resignations and retirements.

**1.J. - Subsequent Events**

The City has evaluated subsequent events through July 15, 2014, the date on which the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure in the financial statements.

**Note 2 - Stewardship, Compliance, and Accountability**

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations.

**2.A. - Deposits and Investments**

The City's investment policy is in accordance with the Illinois Compiled Statutes. The City is authorized by statute to make deposits or investments in obligations of the U.S. Government; obligations of state or their political subdivisions; savings accounts, time deposits, certificates of deposit; or other investments which are direct obligations of banks as defined by the Illinois Banking Act; and the Illinois Funds.

The City's deposits are in checking, savings accounts and certificates of deposit and are carried at cost. The City's current investment practice is only to invest in local financial institution accounts and the State Treasurer's Investment Pool. The City maintains a cash pool for some of the resources, excluding the pension trust fund. Each fund's portion of the pool is displayed on the Statement of Net Position as deposits.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements  
April 30, 2014

**Note 2 - Stewardship, Compliance, and Accountability, continued**

Cash on hand of \$75 has been excluded from the amounts shown below:

Deposits and Custodial Credit Risk

At year-end, the carrying amount of the City's deposits, net of outstanding checks, including certificates of deposit was \$6,326,474 and the bank balance was \$6,344,152. Of this balance, \$2,388,898, was insured by the Federal Deposit Insurance Corporation (FDIC) and \$2,462,460, was covered by pledged collateral, which was held in the City's name and \$1,314,731, was held by the Illinois Public Treasurer's Investment Pool and \$178,063 was uncollateralized. Individual participants maintain separate investment accounts representing a proportionate share of the pool assets and its respective collateral; therefore, no collateral is identified with each individual participant's account.

Interest Rate Risk

The City does not have a formal policy that limits invested maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At April 30, 2014, the City's deposits were as follows:

Governmental Activities	\$ 2,962,478
Business-Type Activities	<u>1,914,866</u>
Subtotal	4,877,344
Pension Funds	<u>1,449,130</u>
	<u>\$ 6,326,474</u>

Equity-type Investments

Equity-type investments are held by the Library Fund and Pension Funds. They are held in collateral accounts managed by Edward Jones and Benjamin F. Edwards and Co. At April 30, 2014, the equity-type investments consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds - Pension Funds	\$ 312,089	\$ 341,412
Stocks - Library	<u>-</u>	<u>106</u>
	<u>\$ 312,089</u>	<u>\$ 341,518</u>

**Note 3 - Detail Notes**

The following notes present detail information to support the amounts in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2014**

**Note 3 - Detail Notes, continued**

**3.A. - Capital Assets**

Capital asset activity for the fiscal year ended April 30, 2014, was as follows:

	<u>Balance May 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance April 30, 2014</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 3,226,455	\$ -	\$ -	\$ 3,226,455
Total capital assets not being depreciated	<u>3,226,455</u>	<u>-</u>	<u>-</u>	<u>3,226,455</u>
Other capital assets:				
Buildings	1,956,790	-	-	1,956,790
Machinery and equipment	2,591,688	114,208	-	2,705,896
Infrastructure	<u>10,136,531</u>	<u>-</u>	<u>-</u>	<u>10,136,531</u>
Total other capital assets at historical cost	<u>14,685,009</u>	<u>114,208</u>	<u>-</u>	<u>14,799,217</u>
Less accumulated depreciation for:				
Buildings	1,020,730	57,629	-	1,078,359
Machinery and equipment	1,800,728	119,667	-	1,920,395
Infrastructure	<u>7,283,622</u>	<u>225,154</u>	<u>-</u>	<u>7,508,776</u>
Total accumulated depreciation	<u>10,105,080</u>	<u>402,450</u>	<u>-</u>	<u>10,507,530</u>
Other capital assets, net	<u>4,579,929</u>	<u>(288,242)</u>	<u>-</u>	<u>4,291,687</u>
Governmental activities capital assets, net	\$ <u>7,806,384</u>	\$ <u>(288,242)</u>	\$ <u>-</u>	\$ <u>7,518,142</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

<i>Governmental activities:</i>	
General government	\$ 49,977
Public safety	90,905
Streets and roads	<u>261,568</u>
	\$ <u>402,450</u>

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2014**

**Note 3 - Detail Notes, continued**

	<u>Balance May 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance April 30, 2014</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ <u>121,466</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>121,466</u>
Other capital assets:				
Water and sewer capital assets	<u>29,941,491</u>	<u>23,250</u>	<u>-</u>	<u>29,964,741</u>
Total other capital assets at historical cost	<u>29,941,491</u>	<u>23,250</u>	<u>-</u>	<u>29,964,741</u>
Less accumulated depreciation for:				
Water and sewer capital assets	<u>12,180,812</u>	<u>723,216</u>	<u>-</u>	<u>12,904,028</u>
Total accumulated depreciation	<u>12,180,812</u>	<u>723,216</u>	<u>-</u>	<u>12,904,028</u>
Other capital assets, net	<u>17,760,679</u>	<u>(699,966)</u>	<u>-</u>	<u>17,060,713</u>
Business-type activities capital assets, net	\$ <u>17,882,145</u>	\$ <u>(699,966)</u>	\$ <u>-</u>	\$ <u>17,182,179</u>

Depreciation expense was charged as follows in the Statement of Activities:

Business-Type Activities:	
Waterworks Fund	\$ 489,268
Sewerage Fund	<u>233,948</u>
Total depreciation expense for business-type activities	\$ <u>723,216</u>

**3.B. - Summary of Interfund Balances and Transfers**

Interfund balances at April 30, 2014, were:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 63,339	\$ 5,350
Library Fund	-	2,809
Waterworks Fund	-	<u>55,180</u>
	\$ <u>63,339</u>	\$ <u>63,339</u>

The purposes of the due to/due from other funds is to provide short-term cash loans. These amounts will be repaid within one year.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements  
April 30, 2014

**Note 3 - Detail Notes, continued**

Transfers as of April 30, 2014:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,838	\$ -
Sewerage Fund	<u>-</u>	<u>2,838</u>
	<u>\$ 2,838</u>	<u>\$ 2,838</u>

The transfers were used for loan payments.

**3.C. - Deficit Fund Balance**

The Solomon Harkey House has a deficit fund balance of \$2,605 at April 30, 2014. This will be eliminated by user fees and transfers.

**3.D. - Risk Management - Insurance**

The City is exposed to various risks of loss including, but not limited to, general liability, property casualty, worker's compensation, and public official's liability. To limit the exposure to these risks, the City purchases commercial insurance as necessary. There have been no significant changes in coverage during the year. Settlements have not exceeded coverage in the past three years.

**Note 4 - Pension Plan**

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

*Funding Policy.* As set by statute, your employer Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2013 was 15.17 percent of annual covered payroll. Your employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by the statute.

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2014**

**Note 4 - Pension Plan, continued**

*Annual Pension Cost.* For 2013, the employer's actual contributions for pension cost for the Regular plan were \$212,532.

**Three-Year Trend Information for the Regular Plan**

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage Of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/13	\$ 212,532	100%	\$ 0
12/31/12	209,240	100%	0
12/31/11	183,217	100%	0

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of your employer Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The employer Regular plan's unfunded actuarial accrued liability at December 31, 2011, is being amortized as a level percentage of projected payroll on an open 30 year basis.

*Funded Status and Funding Progress.* As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 75.84 percent funded. The actuarial accrued liability for benefits was \$3,540,725 and the actuarial value of assets was \$2,685,449, resulting in an underfunded actuarial accrued liability (UAAL) of \$855,276. The covered payroll (annual payroll of active employees covered by the plan) was \$919,839 and the ratio of the UAAL to the covered payroll was 94 percent.

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

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2014**

**Note 5 - Long-Term Debt**

Governmental Activities

The following is a summary of changes in long-term debt for the year ended April 30, 2014:

	<u>Balance</u> <u>May 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2014</u>	<u>Current</u> <u>Portion</u>
National Bank - Line of Credit 4.34% (maximum draw \$300,000, due December 23, 2013) (used for operating expenditures)	\$ -	\$ 77,000	\$ 77,000	\$ -	\$ -
First Community, Fire Truck - 3.00% annual payment \$53,972 (original amount \$315,067, due December 20, 2016)	228,106	-	61,349	166,757	49,624
National Bank - Backhoe 3.00% - semi-annual payment \$7,187.46 (original amount \$33,709, due November 4, 2014)	27,148	-	27,148	-	-
National Bank - Street Department Truck 2.75% - monthly payment \$610.20, due November 30, 2014	11,915	-	11,915	-	-
First Community Bank - Dump Truck 2.50% - monthly payment \$892.10, due April 15, 2016.	30,915	-	30,915	-	-
Carlinville National Bank - IMRF 2.91% - quarterly payment \$17,028.52, due January 11, 2019.	-	315,000	13,989	301,011	60,028
	<u>\$ 298,084</u>	<u>\$ 392,000</u>	<u>\$ 222,316</u>	<u>\$ 467,768</u>	<u>\$ 109,652</u>

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2014**

**Note 5 - Long-Term Debt, continued**

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt with interest rates applicable at April 30, 2014, are as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 109,651	\$ 12,938
2016	112,923	9,667
2017	116,292	6,298
2018	78,802	2,932
2019	<u>50,100</u>	<u>712</u>
	\$ <u>467,768</u>	\$ <u>32,547</u>

Compensated Absences

	<u>Balance May 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance April 30, 2014</u>	<u>Current Portion</u>
Compensated absences	\$ <u>119,000</u>	\$ <u>-</u>	\$ <u>2,000</u>	\$ <u>117,000</u>	\$ <u>10,000</u>

Business-Type Activities

The following is a summary of changes in long-term debt for the year ended April 30, 2014:

	<u>Balance May 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance April 30, 2014</u>	<u>Current Portion</u>
<b>Bonds Payable</b>					
Waterworks and Sewerage Revenue Bonds of 1999 - 4.0-5.65% (original issuance \$3,000,000 amortized April 30, 2019)	\$ 1,685,000	\$ -	\$ 250,000	\$ 1,435,000	\$ 255,000
Waterworks and Sewerage Bonds of 2012. 2.0-3.5% (original issuance \$7,750,000 due June 1, 2037)	<u>7,750,000</u>	<u>-</u>	<u>235,000</u>	<u>7,515,000</u>	<u>240,000</u>
Subtotal	9,435,000	-	485,000	8,950,000	495,000
<b>Notes Payable</b>					
IL EPA Loan - 2.57% (original issuance \$1,553,837, due December 3, 2023)	<u>993,990</u>	<u>-</u>	<u>79,274</u>	<u>914,716</u>	<u>81,324</u>
	\$ <u>10,428,990</u>	\$ <u>-</u>	\$ <u>564,274</u>	\$ <u>9,864,716</u>	\$ <u>576,324</u>



**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2014**

**Note 5 - Long-Term Debt, continued**

The City issued the Waterworks and Sewerage Bonds of 2012 to defense the Bonds of Issue of 2007.

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt with interest rates applicable at April 30, 2014, are as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 576,324	\$ 329,857
2016	598,428	308,928
2017	615,585	286,615
2018	642,800	263,582
2019	660,070	238,242
2020-2024	1,921,509	948,426
2025-2029	1,630,000	700,930
2030-2034	1,905,000	424,825
2035-2036	<u>1,315,000</u>	<u>93,275</u>
	<u>\$ 9,864,716</u>	<u>\$ 3,594,680</u>

**Note 6 - Police and Firefighters Pension Funds**

On May 9, 2005, the City approved ordinances which established Police and Firefighters Pension Funds.

The City administers two single-employer defined pension plans, the Police Pension and Firefighters Pension Plan. The two plans are reported in the City's Statement of Fiduciary Net Position. Although these are single-employer pension plans, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40ILCS 5/3-1) and may be amended only by the Illinois legislature. The pension membership consisted of:

	<u>Police</u>	<u>Firefighters</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to, but not receiving benefits	2	2
Current employees	<u>7</u>	<u>5</u>
Total	<u>9</u>	<u>7</u>

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2014**

**Note 6 - Police and Firefighters Pension Funds**

Police

The Plan provides retirement benefits, as well as death and disability benefits. Employees attaining the age of fifty or more with twenty or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The monthly pension shall be increased by 2.5% of such monthly salary for each additional year of service over twenty years up to thirty years, to a maximum of 75% of such monthly salary. Employees with at least eight years but less than twenty years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% simple interest annually thereafter.

Covered employees are required to contribute 9.91% of their base salary to the Plan. If an employee leaves covered employment with less than twenty years of service, accumulated employee contributions may be refunded without accumulated interest. The City's annual contribution to the Plan is provided by a property tax levy and replacement taxes. These tax levies are required to be of an amount necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2045, the City's contributions must accumulate to the point where the past service cost for the Plan is fully funded.

Trend Information

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual Pension</u> <u>Cost APC</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Asset</u>
April 30, 2013	\$ 141,072	90.03%	\$ 1,121,617
April 30, 2012	159,118	51.88%	984,020
April 30, 2011	Not Available		
April 30, 2010	75,713	170.50%	711,803

Firefighters

The Plan provides retirement as well as death and disability benefits. Employees attaining the age of fifty or more with twenty or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held on the last day of service. The monthly pension shall be increased by 1/12 of 2.5% of such monthly salary for each additional month over twenty years through thirty years, to a maximum of 75% of such monthly salary. Employees with at least ten years of service but less than twenty years of service may retire at or after age sixty and receive a reduced retirement benefit. The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the amount of the pension payable at the time of the increase.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements  
April 30, 2014

**Note 6 - Police and Firefighters Pension Funds, continued**

Covered employees are required to contribute 9.455% of their base salary to the Plan. If an employee leaves covered employment with less than twenty years of service, accumulated employee contributions may be refunded without accumulated interest. The City's annual contribution to the Plan is provided by property tax and replacement taxes. These tax levies are required to be of an amount necessary to finance the Plan as actuarially determined by an enrolled actuary. By the year 2040, the City's funded ratio is to be at 90%.

Trend Information

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual Pension</u> <u>Cost APC</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Asset</u>
April 30, 2013	\$ 95,690	73.98%	\$ 699,706
April 30, 2012	80,773	70.82%	630,057
April 30, 2011	Not Available		
April 30, 2010	43,243	150.64%	486,376

**Note 7 - Budgetary Basis of Accounting**

While reporting financial position, results of operations and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general and major special revenue funds are presented on the modified accrual basis. The major differences between the budget and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to accrual (GAAP basis).
2. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2014**

**Note 7 - Budgetary Basis of Accounting, continued**

The adjustments necessary to reconcile the GAAP and budgetary basis statements of the General Fund are as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Budgetary basis	\$ 3,886,550	\$ 3,856,804	\$ 2,254,233
Due from/to other funds	-	-	57,989
Receivables			
April 30, 2014	(253,326)	-	253,326
April 30, 2013	230,493	-	-
Payables			
April 30, 2014	-	(99,741)	(99,741)
April 30, 2013	-	95,594	-
	<u>\$ 3,863,717</u>	<u>\$ 3,852,657</u>	<u>\$ 2,465,807</u>

**Note 8 - Legal Debt Margin**

Assessed valuation - 2012 tax year	\$ 42,019,370
Statutory debt limitation	<u>.08625</u>
	3,624,171
Less any general obligation debt	<u>-</u>
Legal debt margin	<u>\$ 3,624,171</u>

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements  
April 30, 2014

Note 9 - Fund Changes and Fund Balances

Amounts for specific purposes by fund balance classifications for the year ended April 30, 2014, are as follows:

<u>Classification/Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Restricted</u>		
Motor Fuel Tax	Maintenance of roads	\$ 131,747
Library	Operation of library	390,187
CDAP Revolving Loan	Economic development	<u>269,849</u>
		<u>791,783</u>
 <u>Committed</u>		
General	Police activities	32,948
General	Fire activities	91,095
General	Recreation	167,308
General	Insurance	116,708
General	Lake restoration	115,219
General	General	<u>162,210</u>
		<u>685,488</u>
 <u>Unassigned</u>		
General		<u>1,780,319</u>
		<u>\$ 3,257,590</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HILLSBORO, ILLINOIS**

**Balance Sheet  
General Fund  
April 30, 2014**

<u>Assets</u>	<u>General Account</u>	<u>Fire Subscription Account</u>	<u>Solomon Harkey House Account</u>
Cash and cash equivalents	\$ 2,111,150	\$ 94,863	\$ 2,745
Receivables:			
Taxes	1,085,773	-	-
Accounts	12,553	-	-
Due from other funds	<u>63,339</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 3,272,815</u>	<u>\$ 94,863</u>	<u>\$ 2,745</u>
 <b><u>Liabilities and Deferred Inflows of Resources</u></b>			
Liabilities:			
Accounts payable	\$ 43,274	\$ 3,768	\$ -
Accrued wages	52,699	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>5,350</u>
Total liabilities	<u>95,973</u>	<u>3,768</u>	<u>5,350</u>
Deferred inflows of resources:			
Unavailable property taxes	<u>845,000</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>845,000</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>940,973</u>	<u>3,768</u>	<u>5,350</u>
 <b><u>Fund Balances (deficit)</u></b>			
Committed	548,918	91,095	-
Unassigned	<u>1,782,924</u>	<u>-</u>	<u>(2,605)</u>
Total fund balances	<u>2,331,842</u>	<u>91,095</u>	<u>(2,605)</u>
Total liabilities and fund balances	<u>\$ 3,272,815</u>	<u>\$ 94,863</u>	<u>\$ 2,745</u>

**CITY OF HILLSBORO, ILLINOIS**

**Balance Sheet  
General Fund  
April 30, 2014**

<u>Lake Lot Deposit Account</u>	<u>School Resource D.A.R.E. Account</u>	<u>DUI Equipment Account</u>	<u>Police Dept. Rural Account</u>	<u>Police Vehicle Account</u>	<u>Total</u>
\$ 12,527	\$ 1,303	\$ 3,673	\$ 23,682	\$ 4,290	\$ 2,254,233
-	-	-	-	-	1,085,773
-	-	-	-	-	12,553
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,339</u>
<u>\$ 12,527</u>	<u>\$ 1,303</u>	<u>\$ 3,673</u>	<u>\$ 23,682</u>	<u>\$ 4,290</u>	<u>\$ 3,415,898</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,042
-	-	-	-	-	52,699
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,350</u>
-	-	-	-	-	105,091
-	-	-	-	-	845,000
-	-	-	-	-	845,000
-	-	-	-	-	950,091
12,527	1,303	3,673	23,682	4,290	685,488
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,780,319</u>
<u>12,527</u>	<u>1,303</u>	<u>3,673</u>	<u>23,682</u>	<u>4,290</u>	<u>2,465,807</u>
<u>\$ 12,527</u>	<u>\$ 1,303</u>	<u>\$ 3,673</u>	<u>\$ 23,682</u>	<u>\$ 4,290</u>	<u>\$ 3,415,898</u>



**CITY OF HILLSBORO, ILLINOIS**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Year Ended April 30, 2014**

	<b>General Account</b>	<b>Fire Subscription Account</b>	<b>Solomon Harkey House Account</b>
<b>Revenues:</b>			
Taxes	\$ 3,111,599	\$ 7,609	\$ -
Intergovernmental	-	-	-
Charges for services	256,536	44,138	3,800
Fines	53,389	-	-
License and permits	65,305	-	-
Investment income	1,291	143	-
Reimbursements and miscellaneous	<u>326,380</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,814,500</u>	<u>51,890</u>	<u>3,800</u>
<b>Expenditures:</b>			
Current:			
General	874,066	-	3,795
Public safety	1,375,406	13,448	-
Highway and streets	720,839	-	-
Public property and parks	521,137	-	-
Capital outlay	93,360	20,848	-
Debt Service:			
Principal	210,722	11,594	-
Interest	<u>8,650</u>	<u>2,025</u>	<u>-</u>
Total expenditures	<u>3,804,180</u>	<u>47,915</u>	<u>3,795</u>
Excess (deficiency) of revenues over expenditures	<u>10,320</u>	<u>3,975</u>	<u>5</u>
<b>Other financing sources (uses):</b>			
From borrowing	392,000	-	-
Transfers in	<u>2,838</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>394,838</u>	<u>-</u>	<u>-</u>
Net change in fund balances	405,158	3,975	5
Fund balances (deficit), beginning	1,926,684	87,120	(2,610)
Fund balances (deficit), ending	<u>\$ 2,331,842</u>	<u>\$ 91,095</u>	<u>\$ (2,605)</u>

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Year Ended April 30, 2014**

<u>Lake Lot Deposit Account</u>	<u>School Resource D.A.R.E. Account</u>	<u>DUI Equipment Account</u>	<u>Police Dept. Rural Account</u>	<u>Police Vehicle Account</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,119,208
-	-	-	12,600	-	12,600
-	-	-	-	-	304,474
-	83	1,182	-	707	55,361
-	-	-	-	-	65,305
11	-	-	16	9	1,470
<u>450</u>	<u>1,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>328,132</u>
<u>461</u>	<u>1,385</u>	<u>1,182</u>	<u>12,616</u>	<u>716</u>	<u>3,886,550</u>
-	-	-	-	-	877,861
-	914	-	-	-	1,389,768
-	-	-	-	-	720,839
-	-	-	-	-	521,137
-	-	-	-	-	114,208
-	-	-	-	-	222,316
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,675</u>
<u>-</u>	<u>914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,856,804</u>
<u>461</u>	<u>471</u>	<u>1,182</u>	<u>12,616</u>	<u>716</u>	<u>29,746</u>
-	-	-	-	-	392,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,838</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>394,838</u>
461	471	1,182	12,616	716	424,584
<u>12,066</u>	<u>832</u>	<u>2,491</u>	<u>11,066</u>	<u>3,574</u>	<u>2,041,223</u>
<u>\$ 12,527</u>	<u>\$ 1,303</u>	<u>\$ 3,673</u>	<u>\$ 23,682</u>	<u>\$ 4,290</u>	<u>\$ 2,465,807</u>

**CITY OF HILLSBORO, ILLINOIS**

**General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
(Non-GAAP) Budget and Actual  
Year Ended April 30, 2014**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Property taxes	\$ 850,000	\$ 877,210	\$ 27,210
Intergovernmental:			
State sales taxes	695,000	762,500	67,500
State income taxes	400,000	622,183	222,183
Replacement taxes	18,000	20,672	2,672
Utility taxes	339,000	671,368	332,368
Telecommunication taxes	140,000	157,666	17,666
Recreation fee	229,900	256,536	26,636
Licenses and permits	14,000	65,305	51,305
Fines	49,075	53,389	4,314
Reimbursements and insurance	305,000	248,615	(56,385)
Miscellaneous	1,350	77,765	76,415
Interest	800	1,291	491
Total revenues	<u>3,042,125</u>	<u>3,814,500</u>	<u>772,375</u>
<b>Expenditures:</b>			
Current:			
General	512,070	874,066	(361,996)
Public safety	1,300,880	1,375,406	(74,526)
Highway and streets	646,350	720,839	(74,489)
Public property and parks	602,450	521,137	81,313
Capital outlay	52,500	93,360	(40,860)
Debt Service:			
Principal	54,000	210,722	(156,722)
Interest	-	8,650	(8,650)
Total expenditures	<u>3,168,250</u>	<u>3,804,180</u>	<u>(635,930)</u>
Excess (deficiency) of revenues over expenditures	<u>(126,125)</u>	<u>10,320</u>	<u>136,445</u>
<b>Other financing sources (uses):</b>			
From borrowing	-	392,000	392,000
Transfers in	<u>55,000</u>	<u>2,838</u>	<u>(52,162)</u>
Total other financing sources (uses)	<u>55,000</u>	<u>394,838</u>	<u>339,838</u>
Net change in fund balance	\$ <u>(71,125)</u>	405,158	\$ <u>476,283</u>
Fund balance, beginning		<u>1,926,684</u>	
Fund balance, ending		\$ <u>2,331,842</u>	

**CITY OF HILLSBORO, ILLINOIS**

**CDAP Revolving Loan Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
(Non-GAAP) Budget and Actual  
Year Ended April 30, 2014**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Interest	\$ 1,200	\$ 2,247	\$ 1,047
Miscellaneous	<u>100</u>	<u>-</u>	<u>(100)</u>
Total revenues	<u>1,300</u>	<u>2,247</u>	<u>947</u>
<b>Expenditures:</b>			
Administration	<u>100</u>	<u>3,873</u>	<u>(3,773)</u>
Total expenditures	<u>100</u>	<u>3,873</u>	<u>(3,773)</u>
Net change in fund balance	\$ <u>1,200</u>	(1,626)	\$ <u>(2,826)</u>
Fund balance, beginning		<u>271,475</u>	
Fund balance, ending		\$ <u>269,849</u>	

**CITY OF HILLSBORO, ILLINOIS**

**Motor Fuel Tax Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
(Non-GAAP) Budget and Actual  
Year Ended April 30, 2014**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Motor fuel tax allotments	\$ 165,000	\$ 153,237	\$(11,763)
Interest	125	12	(113)
Miscellaneous	<u>-</u>	<u>57,114</u>	<u>57,114</u>
Total revenues	<u>165,125</u>	<u>210,363</u>	<u>45,238</u>
<b>Expenditures:</b>			
Engineering fees	8,857	8,921	(64)
Maintenance of streets	<u>156,143</u>	<u>146,329</u>	<u>9,814</u>
Total expenditures	<u>165,000</u>	<u>155,250</u>	<u>9,750</u>
Net change in fund balance	\$ <u>125</u>	55,113	\$ <u>54,988</u>
Fund balance, beginning		<u>76,634</u>	
Fund balance, ending		\$ <u>131,747</u>	

**CITY OF HILLSBORO, ILLINOIS**

**Library Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
(Non-GAAP) Budget and Actual  
Year Ended April 30, 2014**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Taxes	\$ 65,900	\$ 85,024	\$ 19,124
Charges for service	10,500	5,789	(4,711)
Investment income	100	3,415	3,315
Intergovernmental	34,433	35,814	1,381
Miscellaneous	<u>25,405</u>	<u>3,805</u>	<u>(21,600)</u>
Total revenues	<u>136,338</u>	<u>133,847</u>	<u>(2,491)</u>
<b>Expenditures:</b>			
Culture	<u>138,155</u>	<u>130,148</u>	<u>8,007</u>
Total expenditures	<u>138,155</u>	<u>130,148</u>	<u>8,007</u>
Net change in fund balances	\$ <u>(1,817)</u>	3,699	\$ <u>5,516</u>
Fund balances, beginning		<u>386,488</u>	
Fund balances, ending		\$ <u>390,187</u>	

**CITY OF HILLSBORO, ILLINOIS**

**Illinois Municipal Retirement  
Required Supplementary Information  
Schedule of Funding Progress**

Trend information for the three years ended December 31, 2013, is as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) -Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (b-a)/c)</b>
12/31/13	2,685,449	3,540,725	855,276	75.84%	913,839	93.59%
12/31/12	2,089,789	3,636,937	1,547,148	57.46%	901,120	171.69%
12/31/11	1,646,321	3,366,279	1,719,958	48.91%	906,567	189.72%

**CITY OF HILLSBORO, ILLINOIS**

**Required Supplementary Information  
Police Pension Plan  
April 30, 2014**

**Schedule of Funding Progress**

<u>Year</u>	<u>(1) Net Assets Available for Benefits</u>	<u>(2) Pension Benefit Obligation</u>	<u>(3) Percentage Funded (1) ÷ (2)</u>	<u>(4) Unfunded Pension Benefit Obligation (2) - (1)</u>	<u>(5) Annual Covered Payroll</u>	<u>(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) ÷ (5)</u>
2013	\$ 1,121,617	\$ 2,346,998	47.79%	\$ 1,225,381	\$ 289,619	236.35%
2012	984,020	2,383,020	41.29%	1,399,000	329,326	424.81%
2011	Not Available					
2010	711,803	1,467,483	48.51%	755,680	337,293	224.04%
2009	567,357	1,348,101	42.09%	780,744	332,669	234.69%

**Schedule of Employer Contributions**

<u>Year</u>	<u>Annual Required Contributions (ARC)</u>	<u>Contributions</u>	<u>Percentage of ARC Contributed</u>
2013	\$ 141,072	\$ 127,011	90.03%
2012	159,118	82,557	51.88%
2011	Not Available		
2010	75,713	129,091	170.50%

Plan effective May 9, 2005.



**CITY OF HILLSBORO, ILLINOIS**

**Required Supplementary Information  
Firefighters Pension Plan  
April 30, 2014**

**Schedule of Funding Progress**

<u>Year</u>	(1) <u>Net Assets Available for Benefits</u>	(2) <u>Pension Benefit Obligation</u>	(3) <u>Percentage Funded (1) ÷ (2)</u>	(4) <u>Unfunded Pension Benefit Obligation (2) - (1)</u>	(5) <u>Annual Covered Payroll</u>	(6) <u>Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) ÷ (5)</u>
2013	\$ 699,706	\$ 1,366,605	51.20%	\$ 666,899	\$ 192,940	345.65%
2012	630,057	1,276,157	49.37%	646,100	178,027	362.92%
2011	Not Available					
2010	486,376	653,924	74.38%	167,548	179,088	93.56%
2009	393,273	748,020	52.58%	354,747	214,962	165.03%

**Schedule of Employer Contributions**

<u>Year</u>	<u>Annual Required Contributions (ARC)</u>	<u>Contributions</u>	<u>Percentage of ARC Contributed</u>
2013	\$ 95,690	\$ 70,788	73.98%
2012	80,773	64,152	79.42%
2011	Not Available		
2010	43,243	65,142	150.64%

Plan effective May 9, 2005.

The most current information available for the 2011 year.

**CITY OF HILLSBORO, ILLINOIS**

**Notes to Required Supplementary Information  
Year Ended April 30, 2014**

**Note 1 - Budgets, Appropriations Ordinance and Budgetary Accounting**

The City adopts its budget in accordance with a basis of accounting utilized by that fund. The City utilizes the following procedures in establishing budgetary data, appropriations and tax levy:

1. City officials discuss the expenditures.
2. The appropriation ordinance is published to obtain taxpayers comments and requests.
3. The appropriations and levy are reviewed and legally enacted by a vote of the Council.
4. Supplemental appropriation ordinances may be passed by the Council should a new unanticipated source of revenue develop for a specific purpose.
5. All unexpended appropriations lapse at year end.
6. Appropriations are prepared on the accrual basis.
7. All governmental and proprietary funds are budgeted.
8. The legal level of expenditures is the total fund expenditures.

There were no amendments to the original budget.

**Note 2 - Excess of Expenditures Over Appropriations**

For the year ended April 30, 2014, expenditures exceeded budget at the legal level of control in individual funds as follows:

	<u>Budget</u>	<u>Expenditures</u>
Solomon Harkey House Fund	\$ 2,125	\$ 3,795
CDAP Revolving Loan Fund	125	3,873

**SUPPLEMENTARY INFORMATION**

**CITY OF HILLSBORO, ILLINOIS**

**Pinnacle Point TIF District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Year Ended April 30, 2014**

	<b><u>Year Ended</u></b>	<b><u>Cumulative</u></b>
	<b><u>April 30, 2014</u></b>	
<b>Revenues:</b>		
Property taxes	\$ <u>    -</u>	\$ <u>284,813</u>
Total revenues	<u>    -</u>	<u>284,813</u>
<b>Expenditures:</b>		
Taylor Investments - development costs	-	61,121
Administration and legal	-	673
Distribution to taxing bodies	-	138,960
Road repair and maintenance	<u>84,060</u>	<u>84,060</u>
Total expenditures	<u>84,060</u>	<u>284,814</u>
Net change in fund balance	(84,060)	\$ <u>    (1)</u>
Fund balance, beginning	<u>84,060</u>	
Fund balance, ending	\$ <u>    -</u>	