

**CITY OF HILLSBORO, ILLINOIS**

**Annual Financial Report**

**April 30, 2019**

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

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**Certified Public Accountants**

**CITY OF HILLSBORO, ILLINOIS**

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# PATTON & COMPANY, P.C.

*Certified Public Accountants*

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## REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and Members of the City 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, 2019, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

#### *Basis for Qualified Opinion*

The City of Hillsboro, Illinois, has not presented or disclosed information in connection with potential liabilities for other post-employment benefits (OPEB) obligations as required by Governmental Accounting Standards Board. The amount by which this presentation and disclosure would effect the financial statements is not reasonably determinable.

#### *Qualified Opinions*

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Hillsboro, Illinois, as of April 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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 accounting principles generally accepted in the United States of America 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 *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2019, 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.

*Patten Company, P.C.*  
September 10, 2019

Hillsboro, Illinois

# PATTON & COMPANY, P.C.

*Certified Public Accountants*

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## **Independent Auditor's 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***

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, 2019, 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 September 10, 2019.

### **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 the City of Hillsboro, Illinois', internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 and; therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we may consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies:

**Segregation of Duties**

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among City personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be segregated as much as possible, and alternative controls should be used to compensate for lack of segregation. The governing board should provide some of these controls.

Management's Response: Due to limited personnel, management believes it to be unfeasible to correct this deficiency.

**Controls Over Financial Statement Preparation**

Criteria: A system of internal controls over the preparation of financial statements in accordance with generally accepted accounting principles is necessary to prepare the financial statements and disclosures.

Condition: As is common with organizations its size, the City does not currently prepare its own financial statements with note disclosures. Statements on Auditing Standards do not provide exceptions to financial reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditors or deficiencies for which the remedy would be cost prohibitive.

Effect: The management of the City of Hillsboro, Illinois or its employees, in the normal course of performing their assigned functions, may not prevent or detect financial statement misstatements and disclosures in a timely manner.

Cause: The City has limited resources.

Recommendation: We recommend that the City continually monitor the cost/benefit of preparing its own financial statements and note disclosures.



Management's Response: City meets all audit reporting requirements and will continue to do so in the future. Currently the City Clerk, Mayor and other personnel review the annual financial statements. As additional resources become available, the City will review the cost/benefit involved with preparing the financial statements.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described above.

### **City of Hillsboro, Illinois, Response to Findings**

City of Hillsboro, Illinois', response to the findings identified in our audit is described above. The City of Hillsboro, Illinois', response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Patton: Company, P.C.*

September 10, 2019

Hillsboro, Illinois

## **BASIC FINANCIAL STATEMENTS**

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Net Position  
April 30, 2019**

<u>Assets and Deferred Outflows of Resources</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 2,947,630	\$ 1,419,520	\$ 4,367,150
Restricted cash and cash equivalents	-	804,811	804,811
Receivables (net of allowance for uncollectibles):			
Taxes	979,312	-	979,312
Notes	139,675	-	139,675
Other	16,588	801,579	818,167
Capital assets, not being depreciated	3,226,455	121,466	3,347,921
Capital assets, being depreciated (net of accumulated depreciation)	<u>3,385,833</u>	<u>13,632,902</u>	<u>17,018,735</u>
Total assets	<u>10,695,493</u>	<u>16,780,278</u>	<u>27,475,771</u>
Deferred Outflows of Resources:			
Deferred amounts related to pensions	<u>1,608,061</u>	<u>-</u>	<u>1,608,061</u>
Total assets and deferred outflows of resources	<u>12,303,554</u>	<u>16,780,278</u>	<u>29,083,832</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Net Position  
April 30, 2019**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b><u>Liabilities and Deferred Inflows of Resources</u></b>			
Current liabilities:			
Accounts payable	\$ 157,832	\$ 23,825	\$ 181,657
Accrued wages	32,376	970	33,346
Accrued interest	-	67,821	67,821
Bonds payable	-	335,000	335,000
Notes payable	-	92,400	92,400
Compensated absences	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total current liabilities	<u>200,208</u>	<u>520,016</u>	<u>720,224</u>
Noncurrent liabilities:			
Bonds payable	-	5,995,000	5,995,000
Refundable deposits	-	49,000	49,000
Compensated absences	27,000	-	27,000
Notes payable	-	394,110	394,110
Net pension liability - IMRF	1,344,223	-	1,344,223
Net pension liability - Police and Fire	<u>2,707,817</u>	<u>-</u>	<u>2,707,817</u>
Total noncurrent liabilities	<u>4,079,040</u>	<u>6,438,110</u>	<u>10,517,150</u>
Total liabilities	<u>4,279,248</u>	<u>6,958,126</u>	<u>11,237,374</u>
Deferred inflows of resources:			
Subsequent year's property taxes	645,000	-	645,000
Deferred amounts related to pensions	<u>643,174</u>	<u>-</u>	<u>643,174</u>
Total deferred inflows of resources	<u>1,288,174</u>	<u>-</u>	<u>1,288,174</u>
Total liabilities and deferred inflows of resources	<u>5,567,422</u>	<u>6,958,126</u>	<u>12,525,548</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	6,612,288	6,937,858	13,550,146
Restricted for public safety	173,149	-	173,149
Restricted for highways and streets	169,377	-	169,377
Restricted for debt	-	804,811	804,811
Restricted for culture and recreation	183,658	-	183,658
Restricted for economic development	753,692	-	753,692
Restricted for general government	732,780	-	732,780
Unrestricted	<u>(1,888,812)</u>	<u>2,079,483</u>	<u>190,671</u>
Total net position	<u>\$ 6,736,132</u>	<u>\$ 9,822,152</u>	<u>\$ 16,558,284</u>

CITY OF HILLSBORO, ILLINOIS

Statement of Activities  
Year Ended April 30, 2019

<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	\$ 958,175	\$ 76,327	\$ -
Public safety	1,516,524	70,513	-
Streets and roads	1,139,585	22,442	-
Culture and recreation	<u>731,447</u>	<u>326,429</u>	<u>-</u>
Total governmental activities	<u>4,345,731</u>	<u>495,711</u>	<u>-</u>
Business-type activities:			
Water	2,133,551	1,932,228	-
Sewer	<u>999,378</u>	<u>852,705</u>	<u>-</u>
Total business-type activities	<u>3,132,929</u>	<u>2,784,933</u>	<u>-</u>
Total primary government	<u>\$ 7,478,660</u>	<u>\$ 3,280,644</u>	<u>\$ -</u>
General revenues:			
Taxes:			
Video gaming			
Motor fuel			
Property and replacement			
Income			
Sales			
Fire			
Utility and telecommunication			
Investment income			
Miscellaneous			
Transfer to Library District			
Total general revenues			
Change in net position			
Net position, beginning of year (restated)			
Net position, ending			

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Activities  
Year Ended April 30, 2019**

<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$ (881,848)	\$ -	\$ (881,848)
-	(1,446,011)	-	(1,446,011)
-	(1,117,143)	-	(1,117,143)
-	(405,018)	-	(405,018)
-	<u>(3,850,020)</u>	<u>-</u>	<u>(3,850,020)</u>
-	-	(201,323)	(201,323)
-	-	<u>(146,673)</u>	<u>(146,673)</u>
-	-	<u>(347,996)</u>	<u>(347,996)</u>
\$ <u>-</u>	<u>(3,850,020)</u>	<u>(347,996)</u>	<u>(4,198,016)</u>
	42,164	-	42,164
	157,562	-	157,562
	783,029	-	783,029
	642,147	-	642,147
	1,073,494	-	1,073,494
	7,551	-	7,551
	405,495	-	405,495
	10,292	5,411	15,703
	214,443	-	214,443
	<u>(390,318)</u>	<u>-</u>	<u>(390,318)</u>
	<u>2,945,859</u>	<u>5,411</u>	<u>2,951,270</u>
	(904,161)	(342,585)	(1,246,746)
	<u>7,640,293</u>	<u>10,164,737</u>	<u>17,805,030</u>
\$ <u>-</u>	<u>\$ 6,736,132</u>	<u>\$ 9,822,152</u>	<u>\$ 16,558,284</u>

**CITY OF HILLSBORO, ILLINOIS**

**Balance Sheet  
Governmental Funds  
April 30, 2019**

	<b>General Fund</b>	<b>CDAP Revolving Loan Fund</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 2,108,660	\$ 144,234
Receivables:		
Taxes	923,039	-
Notes	-	139,675
Accounts	<u>16,588</u>	<u>-</u>
Total assets	\$ <u>3,048,287</u>	\$ <u>283,909</u>
 <b><u>Liabilities and Deferred Inflows of Resources</u></b>		
Accounts payable	\$ 45,983	\$ 39,155
Accrued wages	<u>32,376</u>	<u>-</u>
Total liabilities	<u>78,359</u>	<u>39,155</u>
Subsequent year's property taxes	<u>645,000</u>	<u>-</u>
Total deferred inflows of resources	<u>645,000</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>723,359</u>	<u>39,155</u>
 <b><u>Fund Balances</u></b>		
Restricted	-	244,754
Committed	1,089,587	-
Unassigned	<u>1,235,341</u>	<u>-</u>
Total fund balances	<u>2,324,928</u>	<u>244,754</u>
Total liabilities and fund balances	\$ <u>3,048,287</u>	\$ <u>283,909</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Balance Sheet  
Governmental Funds  
April 30, 2019**

<b>Motor Fuel Tax Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total</b>
\$ 155,638	\$ 539,098	\$ 2,947,630
13,739	42,534	979,312
-	-	139,675
<u>-</u>	<u>-</u>	<u>16,588</u>
\$ <u>169,377</u>	\$ <u>581,632</u>	\$ <u>4,083,205</u>
\$ -	\$ 72,694	\$ 157,832
<u>-</u>	<u>-</u>	<u>32,376</u>
<u>-</u>	<u>72,694</u>	<u>190,208</u>
<u>-</u>	<u>-</u>	<u>645,000</u>
<u>-</u>	<u>-</u>	<u>645,000</u>
<u>-</u>	<u>72,694</u>	<u>835,208</u>
169,377	508,938	923,069
-	-	1,089,587
<u>-</u>	<u>-</u>	<u>1,235,341</u>
<u>169,377</u>	<u>508,938</u>	<u>3,247,997</u>
\$ <u>169,377</u>	\$ <u>581,632</u>	\$ <u>4,083,205</u>



CITY OF HILLSBORO, ILLINOIS

Reconciliation of Fund Balances of Governmental Funds to the  
Governmental Activities in the Statement of Net Position  
April 30, 2019

Fund balances of the governmental funds	\$ 3,247,997
Capital assets used in governmental activities of \$19,216,907, net of accumulated depreciation of \$12,604,619, are not financial resources; and therefore, are not reported in the governmental funds	6,612,288
Deferred outflows of resources are not current financial resources; and therefore, are not reported in the funds	1,608,061
Deferred inflows of resources are not current financial resources; and therefore, are not reported in the funds	(643,174)
Certain liabilities and deferred inflows of resources are not due and payable in the current period; and therefore, are not reported in the funds	
Net pension liability	(1,344,223)
Compensated absences	(37,000)
Net pension liability - Police and Fire	<u>(2,707,817)</u>
Net position of governmental activities	\$ <u>6,736,132</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
April 30, 2019**

	<b>General Fund</b>	<b>CDAP Revolving Loan Fund</b>
<b>Revenues:</b>		
Taxes	\$ 2,486,189	\$ -
Intergovernmental	37,442	-
Charges for services	383,021	-
Fines	18,429	-
Licenses and permits	56,818	-
Investment income	6,966	2,272
Reimbursements and miscellaneous	<u>214,444</u>	<u>-</u>
Total revenues	<u>3,203,309</u>	<u>2,272</u>
<b>Expenditures:</b>		
Current:		
General government	444,277	38,318
Public safety	1,289,222	-
Streets and roads	729,199	-
Culture and recreation	703,815	-
Capital outlay	<u>230,223</u>	<u>-</u>
Total expenditures	<u>3,396,736</u>	<u>38,318</u>
Excess (deficiency) of revenues over expenditures	<u>(193,427)</u>	<u>(36,046)</u>
<b>Other financing sources (uses):</b>		
Transfer to Hillsboro Library District	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(193,427)</u>	<u>(36,046)</u>
Fund balances, beginning	<u>2,518,355</u>	<u>280,800</u>
Fund balances, ending	<u>\$ 2,324,928</u>	<u>\$ 244,754</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
April 30, 2019**

<b>Motor Fuel Tax Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total</b>
\$ 157,562	\$ 467,691	\$ 3,111,442
-	-	37,442
-	-	383,021
-	-	18,429
-	-	56,818
495	559	10,292
<u>-</u>	<u>-</u>	<u>214,444</u>
<u>158,057</u>	<u>468,250</u>	<u>3,831,888</u>
-	367,468	850,063
-	-	1,289,222
129,608	-	858,807
-	27,632	731,447
<u>-</u>	<u>55,697</u>	<u>285,920</u>
<u>129,608</u>	<u>450,797</u>	<u>4,015,459</u>
<u>28,449</u>	<u>17,453</u>	<u>(183,571)</u>
<u>-</u>	<u>(254,078)</u>	<u>(254,078)</u>
<u>-</u>	<u>(254,078)</u>	<u>(254,078)</u>
28,449	(236,625)	(437,649)
<u>140,928</u>	<u>745,563</u>	<u>3,685,646</u>
<u>\$ 169,377</u>	<u>\$ 508,938</u>	<u>\$ 3,247,997</u>

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, 2019

Net change in fund balances - total governmental funds	\$ (437,649)
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	285,920
Depreciation expense	(476,903)
Some expenses reported in the statement of activities do not require the use of current financial resources; and therefore, are not reported as expenditures in the governmental funds:	
Transfer of building to Library District	(136,240)
Compensated absences	21,000
Pension benefits	<u>(160,289)</u>
Change in net position of governmental activities	\$ <u>(904,161)</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Net Position  
Proprietary Funds  
April 30, 2019**

	<b><u>Business-Type Activities - Enterprise Funds</u></b>		
<b><u>Assets</u></b>	<b><u>Waterworks Fund</u></b>	<b><u>Sewerage Fund</u></b>	<b><u>Total</u></b>
Current assets:			
Cash and cash equivalents	\$ 893,909	\$ 525,611	\$ 1,419,520
Restricted cash and cash equivalents	804,811	-	804,811
Accounts receivable (net of allowance for uncollectibles)	<u>491,416</u>	<u>310,163</u>	<u>801,579</u>
Total current assets	<u>2,190,136</u>	<u>835,774</u>	<u>3,025,910</u>
Noncurrent assets:			
Capital assets not being depreciated	110,406	11,060	121,466
Capital assets, net of accumulated depreciation	<u>11,769,164</u>	<u>1,863,738</u>	<u>13,632,902</u>
Total noncurrent assets	<u>11,879,570</u>	<u>1,874,798</u>	<u>13,754,368</u>
Total assets	<u>14,069,706</u>	<u>2,710,572</u>	<u>16,780,278</u>
 <b><u>Liabilities and Net Position</u></b>			
Current liabilities:			
Accounts payable	17,117	6,708	23,825
Accrued wages	485	485	970
Accrued interest	65,216	2,605	67,821
Bonds payable	307,000	28,000	335,000
Notes payable	<u>46,200</u>	<u>46,200</u>	<u>92,400</u>
Total current liabilities	<u>436,018</u>	<u>83,998</u>	<u>520,016</u>
Noncurrent liabilities:			
Bonds payable	5,995,000	-	5,995,000
Refundable deposits	49,000	-	49,000
Notes payable	<u>197,055</u>	<u>197,055</u>	<u>394,110</u>
Total noncurrent liabilities	<u>6,241,055</u>	<u>197,055</u>	<u>6,438,110</u>
Total liabilities	<u>6,677,073</u>	<u>281,053</u>	<u>6,958,126</u>
Net position:			
Net investment in capital assets	5,334,315	1,603,543	6,937,858
Restricted for debt	804,811	-	804,811
Unrestricted	<u>1,253,507</u>	<u>825,976</u>	<u>2,079,483</u>
Total net position	<u>\$ 7,392,633</u>	<u>\$ 2,429,519</u>	<u>\$ 9,822,152</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, 2019**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Waterworks</u>	<u>Sewerage</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>Operating revenues:</b>			
Charges for service	\$ 1,857,216	\$ 800,342	\$ 2,657,558
Other	<u>75,012</u>	<u>52,363</u>	<u>127,375</u>
Total operating revenues	<u>1,932,228</u>	<u>852,705</u>	<u>2,784,933</u>
<b>Operating expenses:</b>			
Salaries	38,925	195,742	234,667
Payroll taxes and pension	8,200	18,373	26,573
Testing	712	23,481	24,193
Insurance	121,090	117,080	238,170
Administration	3,555	4,825	8,380
Utilities	71,608	72,908	144,516
Chemicals and materials	11,976	11,933	23,909
Repairs and maintenance	68,813	16,208	85,021
Miscellaneous	7,139	3,248	10,387
Professional fees	1,073,721	278,643	1,352,364
Depreciation	<u>516,415</u>	<u>247,447</u>	<u>763,862</u>
Total operating expenses	<u>1,922,154</u>	<u>989,888</u>	<u>2,912,042</u>
Operating income (loss)	<u>10,074</u>	<u>(137,183)</u>	<u>(127,109)</u>
<b>Nonoperating revenues (expenses):</b>			
Interest on investments	4,275	1,136	5,411
Interest and fees on bonds	<u>(211,397)</u>	<u>(9,490)</u>	<u>(220,887)</u>
Total nonoperating revenues (expenses)	<u>(207,122)</u>	<u>(8,354)</u>	<u>(215,476)</u>
Net income (loss) before transfers	(197,048)	(145,537)	(342,585)
Transfers in	-	5,802	5,802
Transfers out	<u>(5,802)</u>	<u>-</u>	<u>(5,802)</u>
Total transfers	<u>(5,802)</u>	<u>5,802</u>	<u>-</u>
Change in net position	(202,850)	(139,735)	(342,585)
Net position, beginning	<u>7,595,483</u>	<u>2,569,254</u>	<u>10,164,737</u>
Net position, ending	<u>\$ 7,392,633</u>	<u>\$ 2,429,519</u>	<u>\$ 9,822,152</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Cash Flows  
Proprietary Funds  
Year Ended April 30, 2019**

	<b><u>Business-Type Activities - Enterprise Funds</u></b>		
	<b><u>Waterworks</u></b>	<b><u>Sewerage</u></b>	<b><u>Total</u></b>
	<b><u>Fund</u></b>	<b><u>Fund</u></b>	
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 1,754,812	\$ 717,542	\$ 2,472,354
Payments to suppliers	(1,386,453)	(547,065)	(1,933,518)
Payments to employees	<u>(52,129)</u>	<u>(216,849)</u>	<u>(268,978)</u>
Net cash provided by (used for) operating activities	<u>316,230</u>	<u>(46,372)</u>	<u>269,858</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers from (to) other funds	<u>(5,802)</u>	<u>5,802</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>(5,802)</u>	<u>5,802</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>			
Sale of capital assets	-	50,387	50,387
Purchase of capital assets	(74,634)	-	(74,634)
Principal paid on capital debt	(476,035)	(159,034)	(635,069)
Interest and fees paid on capital debt	<u>(216,651)</u>	<u>(9,972)</u>	<u>(226,623)</u>
Net cash provided by (used for) capital and related financing activities	<u>(767,320)</u>	<u>(118,619)</u>	<u>(885,939)</u>
<b>Cash flows from investing activities:</b>			
Interest	<u>4,275</u>	<u>1,136</u>	<u>5,411</u>
Net cash provided by (used for) investing activities	<u>4,275</u>	<u>1,136</u>	<u>5,411</u>
Change in cash and cash equivalents	(452,617)	(158,053)	(610,670)
Cash and cash equivalents, beginning	<u>2,151,337</u>	<u>683,664</u>	<u>2,835,001</u>
Cash and cash equivalents, ending	<u>\$ 1,698,720</u>	<u>\$ 525,611</u>	<u>\$ 2,224,331</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 10,074	\$ (137,183)	\$ (127,109)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	516,415	247,447	763,862
Change in assets and liabilities:			
Decrease (increase) in receivables	(180,416)	(135,163)	(315,579)
Increase (decrease) in payables	<u>(29,843)</u>	<u>(21,473)</u>	<u>(51,316)</u>
Net cash provided by operating activities	<u>\$ 316,230</u>	<u>\$ (46,372)</u>	<u>\$ 269,858</u>

See notes to the financial statements.

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Fiduciary Net Position  
Fiduciary Funds - Pension Trust Funds  
April 30, 2019**

<u>Assets</u>	<u>Firefighters Pension</u>	<u>Police Pension</u>	<u>Total</u>
Cash	\$ <u>18,169</u>	\$ <u>35,959</u>	\$ <u>54,128</u>
Interest receivable	7,283	13,169	20,452
Contribution receivable	<u>115,000</u>	<u>213,000</u>	<u>328,000</u>
Total receivables	<u>122,283</u>	<u>226,169</u>	<u>348,452</u>
Investments, at fair value:			
U.S. Treasury Securities	451,538	913,431	1,364,969
U.S. Agency Securities	36,910	101,205	138,115
Mutual funds	96,071	195,939	292,010
Corporate bonds	<u>365,280</u>	<u>716,726</u>	<u>1,082,006</u>
Total investments at fair value	<u>949,799</u>	<u>1,927,301</u>	<u>2,877,100</u>
Total assets	<u>1,090,251</u>	<u>2,189,429</u>	<u>3,279,680</u>
 <b><u>Liabilities and Net Position</u></b>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net position restricted for pension benefits	\$ <u>1,090,251</u>	\$ <u>2,189,429</u>	\$ <u>3,279,680</u>

See notes to the financial statements.



**CITY OF HILLSBORO, ILLINOIS**

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds - Pension Trust Funds  
Year Ended April 30, 2019**

	<u>Firefighters Pension</u>	<u>Police Pension</u>	<u>Total</u>
<b>Additions:</b>			
Contributions:			
Employer	\$ 19,567	\$ 39,279	\$ 58,846
Plan members	<u>114,141</u>	<u>211,543</u>	<u>325,684</u>
Total contributions	<u>133,708</u>	<u>250,822</u>	<u>384,530</u>
Investment income:			
Interest	22,483	47,950	70,433
Dividends	2,472	4,930	7,402
Gain (loss) from sale of securities - realized	726	(3,254)	(2,528)
Net increase (decrease) in fair value of investments - unrealized	<u>19,954</u>	<u>38,801</u>	<u>58,755</u>
Net investment income	<u>45,635</u>	<u>88,427</u>	<u>134,062</u>
Total additions	<u>179,343</u>	<u>339,249</u>	<u>518,592</u>
<b>Deductions:</b>			
Benefits and refunds	73,689	43,996	117,685
Administration	<u>11,346</u>	<u>12,791</u>	<u>24,137</u>
Total deductions	<u>85,035</u>	<u>56,787</u>	<u>141,822</u>
Net increase (decrease) in net position	<u>94,308</u>	<u>282,462</u>	<u>376,770</u>
Net position restricted for pension benefits - Beginning of year	<u>995,943</u>	<u>1,906,967</u>	<u>2,902,910</u>
Net position restricted for pension benefits - End of year	<u>\$ 1,090,251</u>	<u>\$ 2,189,429</u>	<u>\$ 3,279,680</u>

See notes to the financial statements.

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2019

### Note 1 - Summary of Significant Accounting Policies

#### 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 government-wide financial statements (i.e.: the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. *Business-type activities* rely to a significant extent on fees and charges to external customers for support.

##### Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

##### *Governmental Funds*

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes other than debt service or capital projects. The City's special revenue funds are as follows:

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

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements

April 30, 2019

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

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

#### *Proprietary Funds*

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Water Fund provides water services to residents of the City and certain unincorporated areas.

Sewer Fund provides wastewater service to the residents of the City.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e.: the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

#### *Fiduciary Funds*

Fiduciary fund types are used to account for assets held by a governmental unit 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 types:

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements

April 30, 2019

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

Police Pension Fund is used 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 is used 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.

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.

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2019

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

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.

##### 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.

##### 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 \$139,675 at April 30, 2019, 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.

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2019

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

#### 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.

#### *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.

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2019

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

#### 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.

#### Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position 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:

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2019

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

*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
- 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

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.



# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2019

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

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

#### 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, 2019**

**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 July 30, 2018, and the tax levy was passed by the Board on December 11, 2018. 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 2017 levy was based totaled \$42,771,370.

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

	Maximum <u>2017 Levy</u>	2017 <u>Actual</u>
General corporate	0.25000	.25000
Fire protection	0.07500	.07500
Police protection	0.07500	.07500
Audit	as needed	.03508
Liability insurance	as needed	.10989
Social security	as needed	.24550
Unemployment	as needed	.00936
Workers' compensation	as needed	.18952
IMRF	as needed	.21978
Fire Pension	as needed	.26186
Police Pension	as needed	<u>.44423</u>
		<u>1.91522</u>

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 2017 tax year. Property taxes for the 2018 levy are payable in 2019 and intended to finance the 2020 fiscal year and are not considered available for current operations and are, therefore, shown as deferred inflows of resources.