

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2019

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

#### 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 September 10, 2019, 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.

#### 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 \$5,171,886 and the bank balance was \$5,194,727. Of this balance, \$750,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$4,444,727 was covered by pledged collateral, which was held in the City's name and \$0 was uncollateralized.

Cash on hand of \$75 has been excluded from the amounts shown above.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements  
April 30, 2019

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

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, 2019, the City's deposits were as follows:

Governmental Activities	\$ 2,947,630
Business-Type Activities	<u>2,224,331</u>
Total	<u>\$5,171,961</u>

Fiduciary Funds

At April 30, 2019, the carrying amount of the Firefighters' Pension Fund and Police Pension Fund deposits totaled \$54,128. Since flow through FDIC insurance is available for the Plans' deposits with financial contributions, the Plans do not require pledging of collateral for any bank balances in excess of federal depository insurance. The investments are held in collateral amounts managed by the Bank of Edwardsville.

Investments

*Custodial Credit Risk:* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City and the pension funds do not have custodial credit risk policies for investments.

*Interest Rate Risk:* This is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City and pension funds do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk:* Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City and pension funds do not have a formal investment policy that specifically addresses credit risk.

*Concentration of Credit Risk:* This is the risk that the City has a high percentage of its investments invested in one type of investment. The City does not have a formal investment policy that specifically addresses concentration of credit risk. The pension funds' investment policies require diversification of investments to avoid unreasonable risk.

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2019**

**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.

**3.A. - Capital Assets**

Capital asset activity for the fiscal year ended April 30, 2019, was as follows:

	<u>Balance May 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance April 30, 2019</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ <u>3,226,455</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,226,455</u>
Total capital assets not being depreciated	<u>3,226,455</u>	<u>-</u>	<u>-</u>	<u>3,226,455</u>
Other capital assets:				
Buildings	2,226,633	180,821	(143,197)	2,264,257
Machinery and equipment	3,484,565	105,099	-	3,589,664
Infrastructure	<u>10,136,531</u>	<u>-</u>	<u>-</u>	<u>10,136,531</u>
Total other capital assets at historical cost	<u>15,847,729</u>	<u>285,920</u>	<u>(143,197)</u>	<u>15,990,452</u>
Less accumulated depreciation for:				
Buildings	1,325,645	72,759	(6,957)	1,391,447
Machinery and equipment	2,405,511	183,397	-	2,588,908
Infrastructure	<u>8,403,517</u>	<u>220,747</u>	<u>-</u>	<u>8,624,264</u>
Total accumulated depreciation	<u>12,134,673</u>	<u>476,903</u>	<u>(6,957)</u>	<u>12,604,619</u>
Other capital assets, net	<u>3,713,056</u>	<u>(190,983)</u>	<u>(136,240)</u>	<u>3,385,833</u>
Governmental activities capital assets, net	\$ <u>6,939,511</u>	\$ <u>(190,983)</u>	\$ <u>(136,240)</u>	\$ <u>6,612,288</u>

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

<i>Governmental activities:</i>	
General government	\$ 80,925
Public safety	115,200
Streets and roads	<u>280,778</u>
	\$ <u>476,903</u>

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2019**

**Note 3 - Detail Notes, continued**

	<u>Balance May 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance April 30, 2019</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>30,260,314</u>	<u>24,248</u>	<u>-</u>	<u>30,284,562</u>
Total other capital assets at historical cost	<u>30,260,314</u>	<u>24,248</u>	<u>-</u>	<u>30,284,562</u>
Less accumulated depreciation for:				
Water and sewer capital assets Total accumulated depreciation	<u>15,887,797</u>	<u>763,863</u>	<u>-</u>	<u>16,651,660</u>
Other capital assets, net	<u>14,372,517</u>	<u>(739,615)</u>	<u>-</u>	<u>13,632,902</u>
Business-type activities capital assets, net	\$ <u>14,493,983</u>	\$ <u>(739,615)</u>	\$ <u>-</u>	\$ <u>13,754,368</u>

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

Business-Type Activities:	
Waterworks Fund	\$ 516,415
Sewerage Fund	<u>247,448</u>
Total depreciation expense for business-type activities	\$ <u>763,863</u>

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

Transfers as of April 30, 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
Sewerage Fund	\$ 5,802	\$ -
Waterworks Fund	<u>-</u>	<u>5,802</u>
	\$ <u>5,802</u>	\$ <u>5,802</u>

The transfers were used for loan payments.

# CITY OF HILLSBORO, ILLINOIS

## Notes to the Financial Statements April 30, 2019

### Note 3 - Detail Notes, continued

#### 3.C. - 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 - IMRF

##### *IMRF Plan Description*

The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

##### *Benefits Provided*

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

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

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements  
April 30, 2019

**Note 4 - Pension Plan - IMRF, continued**

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

- 3% of the original pension amount, or
- ½ of the increase in the Consumer Price Index of the original pension amount.

*Employees Covered by Benefit Terms*

As of December 31, 2018, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	49
Inactive Plan Members entitled to but not yet receiving benefits	8
Active Plan Members	<u>14</u>
Total	<u>71</u>

*Contributions*

As set by statute, the City's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2018 was 11.79%. For the fiscal year ended April 30, 2019, the City contributed \$117,220 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Net Pension Liability*

The City's net pension liability was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements

April 30, 2019

**Note 4 - Pension Plan - IMRF, continued**

*Actuarial Assumptions*

The following are the methods and assumptions used to determine total pension liability at December 31, 2018.

Actuarial Cost Method	Entry Age Method
Asset Valuation Method	Market Value of Assets
Price Inflation	2.50%
Salary Increases	3.39% to 14.25%, including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projections scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
Other Information: Notes	There were no benefit changes during the year.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2018, Illinois Municipal Retirement Fund annual actuarial valuation report.

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements**

**April 30, 2019**

**Note 4 - Pension Plan - IMRF, continued**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Return 12/31/2018</u>	<u>Projected Returns/Risk</u>	
			<u>One Year Arithmetic</u>	<u>Ten Year Geometric</u>
Equities	37%	-6.08%	8.50%	7.15%
International Equities	18%	-14.16%	9.20%	7.25%
Fixed Income	28%	-.28%	3.75%	3.75%
Real Estate	9%	8.36%	7.30%	6.25%
Alternatives	7%			
Private Equity		N/A	12.40%	8.50%
Hedge Funds		N/A	5.75%	5.50%
Commodities		N/A	4.75%	3.20%
Cash Equivalentents	1%	N/A	2.50%	2.50%

*Single Discount Rate*

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.71%, and the resulting single discount rate is 7.25%.



**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2019**

**Note 4 - Pension Plan - IMRF, continued**

*Changes in the Net Pension Liability*

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, December 31, 2018	\$ <u>8,719,562</u>	\$ <u>8,873,192</u>	\$ <u>(153,630)</u>
Change for the year:			
Service Cost	101,933	-	101,933
Interest on the Total Pension Liability	632,102	-	632,102
Differences Between Expected and Actual Experience of the Total Pension Liability	350,318	-	350,318
Changes of Assumptions	230,228	-	230,228
Contributions - Employer	-	102,282	(102,282)
Contributions - Employees	-	52,360	(52,360)
Net Investment Income	-	(604,559)	604,559
Benefit Payments, including Refunds of Employee Contributions	(685,017)	(685,017)	-
Other (Net Transfer)	<u>-</u>	<u>266,645</u>	<u>(266,645)</u>
Net Changes	<u>629,564</u>	<u>(868,289)</u>	<u>1,497,853</u>
Balances at December 31, 2019	\$ <u>9,349,126</u>	\$ <u>8,004,903</u>	\$ <u>1,344,223</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25% as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower <u>6.25%</u>	Current Discount <u>7.25%</u>	1% Higher <u>8.25%</u>
Net Pension Liability	\$ <u>2,374,198</u>	\$ <u>1,344,223</u>	\$ <u>479,245</u>

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2019**

**Note 4 - Pension Plan - IMRF, continued**

*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

For the year ended April 30, 2019, the City recognized pension expense of \$117,220. At April 30, 2019, the City recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts Related to Pensions		
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Difference between expected and actual experience	\$ 282,185	\$ -
Changes in Assumptions	161,070	104,157
Net differences between projected and actual earnings on pension plan investments	<u>1,133,301</u>	<u>539,017</u>
 Total Deferred Amounts to be recognized in pension expense in future periods	 <u>1,576,556</u>	 <u>643,174</u>
 Pension Contribution made subsequent to the Measurement Date	 <u>31,505</u>	 <u>-</u>
 Total Deferred Amounts Related to Pensions	 <u>\$ 1,608,061</u>	 <u>\$ 643,174</u>

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

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>
2019	\$ 311,649
2020	239,967
2021	129,735
2022	<u>252,031</u>
 Total	 <u>\$ 933,382</u>

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2019**

**Note 5 - Long-Term Debt**

Compensated Absences

	<u>Balance</u> <u>May 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2019</u>	<u>Current</u> <u>Portion</u>
Compensated absences	\$ <u>58,000</u>	\$ <u>-</u>	\$ <u>21,000</u>	\$ <u>37,000</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, 2019:

	<u>Balance</u> <u>May 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2019</u>	<u>Current</u> <u>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)	\$ 355,000	\$ -	\$ 285,000	\$ 70,000	\$ 70,000
Waterworks and Sewerage Bonds of 2012. 2.0-3.5% (original issuance \$7,750,000 due June 1, 2037)	<u>6,520,000</u>	<u>-</u>	<u>260,000</u>	<u>6,260,000</u>	<u>265,000</u>
Subtotal	6,875,000	-	545,000	6,330,000	335,000
<b>Notes Payable</b>					
IL EPA Loan - 2.57% (original issuance \$1,553,837, due December 3, 2023)	<u>576,579</u>	<u>-</u>	<u>90,069</u>	<u>486,510</u>	<u>92,400</u>
	\$ <u>7,451,579</u>	\$ <u>-</u>	\$ <u>635,069</u>	\$ <u>6,816,510</u>	\$ <u>427,400</u>

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

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2019**

**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, 2019, are as follows:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 427,400	\$ 211,798
2021	369,790	198,546
2022	377,241	189,219
2023	389,757	179,564
2024	402,322	169,299
2025-2029	1,630,000	700,930
2030-2034	1,905,000	424,826
2035-2037	<u>1,315,000</u>	<u>93,275</u>
	\$ <u>6,816,510</u>	\$ <u>2,167,457</u>

**Note 6 - Defined Benefit Pension Plans**

*Police Pension Fund*

Plan Description

The Plan is established and administered as prescribed by “Article 3 Police Pension Fund - Municipalities 500,000 and Under” of the Illinois Pension Code. The Plan is a single-employer defined benefit pension plan administered by the Plan’s Board of Trustees. The Board consists of two members appointed by the City, two active Members and one retired Member elected by the Membership. Separate financial statements are not issued for the plan.

Plan membership as of April 30, 2019, consisted of the following:

Retirees and beneficiaries currently receiving benefits	1
Active plan members	<u>8</u>
Total	<u>9</u>

Benefits Provided

Normal Retirement

Date: Tier 1: Age 50 and 20 years of Credited service. Tier 2: Age 55 and 10 years of service.

Benefit: Tier 1: 50% of annual salary attached to rank on last day of service plus 2.50% of annual salary for each year of service over 20 years, up to a maximum of 75% of salary. The minimum monthly benefit is \$1,000 per month. Tier 2: 2.50% per year of service times the average salary for the eight consecutive years prior to retirement times the number of years of service. The maximum benefit is 75% of average salary.

## CITY OF HILLSBORO, ILLINOIS

### Notes to the Financial Statements

April 30, 2019

#### Note 6 - Defined Benefit Pension Plans, continued

##### Cost-of-Living Adjustment

Tier 1: An annual increase equal to 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3% for each full month since benefit commencement upon reaching age 55. Tier 2: An annual increase each January 1 equal to 3.00% per year or one-half of the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the original pension after the attainment age of 60 or first anniversary of pension start date whichever is later.

##### Disability Benefit

Eligibility: Total and permanent as determined by the Board of Trustees.

Benefit Amount: A maximum of : a) 65% of salary attached to the rank held by Member on last day of service, and; b) the monthly retirement pension that the Member is entitled to receive if he or she retired immediately. For non-service connected disabilities, a benefit of 50% of salary attached to rank held by Member on last day of service.

##### Pre-Retirement Death Benefit

Service Incurred: 100% of salary attached to rank held by Member on last day of service.

Non-Service Incurred: A maximum of a) 50% salary attached to the rank held by Member on last day of service, and; b) the monthly retirement pension earned by the deceased Member at the time of death, regardless of whether death occurs before or after age 50.

##### Vesting

Less than 10 years: Refund of Member contributions.

10 or more years: Either the termination benefit, payable upon reaching age 60, provided contributions are not withdrawn, or a refund of member contributions. The termination benefit is 2.50% of annual salary held in the year prior to termination times creditable service.

The current employees of the Police Department are required by statute to contribute 9.91% of their salary into the Pension. The City must contribute the remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability over a period ending in 2040.

#### *Firefighters' Pension Fund*

##### Plan Description

The Plan is established and administered as prescribed by "Article 4 Firefighters' Pension Fund - Municipalities 500,000 and Under" of the Illinois Pension Code. The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees. The Board consists of two Members appointed by the City, two active Members of the Fire Department elected by the Membership and one retired Member of the Fire Department elected by the Membership. Separate financial statements are not issued for the plan.

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements**

**April 30, 2019**

**Note 6 - Defined Benefit Pension Plans - Police and Firefighters, continued**

Plan membership as of May 1, 2019, consisted of the following:

Retirees and beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receive benefits	1
Active plan members	<u>6</u>
Total	<u>10</u>

The following is a summary of the benefits the Firefighters' Pension Plan provides.

**Normal Retirement**

Date: Tier 1: Age 50 and 20 years of credited service. Tier 2: Age 55 and 10 years of service.

Benefit: Tier 1: 50% of annual salary attached to rank on last day of service plus 2.50% of annual salary for each year of service over 20 years, up to a maximum of 75% of salary. The minimum monthly benefit is \$1,159.27 per month. Tier 2: 2.50% per year of service times the average salary for the eight consecutive years prior to retirement times the number of years of service. The maximum benefit is 75% of average salary.

**Cost-of-Living Adjustment**

Tier 1: An annual increase equal to 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3% for each full month since benefit commencement upon reaching age 55. Disabled Retirees: An annual increase equal to 3.00% per year of the original benefit amount beginning at age 60. Those that become disabled prior to age 60 receive an increase of 3.00% of the original benefit amount for each year since benefit commencement upon reaching age 60. Tier 2: An annual increase each January 1 equal to 3.00% per year or one-half of the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the original pension after the attainment age of 60 or first anniversary of pension start date whichever is later.

**Disability Benefit**

Eligibility: Total and permanent as determined by the Board of Trustees. Seven years of service required for non-service connected disability.

Benefit Amount: A maximum of : a) 65% of salary attached of the rank held by Member on last day of service, and; b) the monthly retirement pension that the Member is entitled to receive if he or she retired immediately. For non-service connected disabilities, a benefit of 50% of salary attached to rank held by Member of last day of service.

**Pre-Retirement Death Benefit**

Service Incurred: 100% of salary attached to rank held by Member on last day of service.

Non-Service Incurred: A maximum of a) 54% salary attached to the rank held by Member on last day of service, and; b) the monthly retirement pension earned by the deceased Member at the time of death, regardless of whether death occurs before or after age 50.

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements**

**April 30, 2019**

**Note 6 - Defined Benefit Pension Plans, continued**

**Vesting**

Less than 10 years: Refund of Member contributions.

10 or more years: Either the termination benefit, payable upon reaching age 60, provided contributions are not withdrawn, or a refund of member contributions.

The current employees of the Fire Department are required by statute to contribute 9.455% of their salary into the Pension. The City must contribute the remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability over a period ending in 2040.

**Police And Firefighters  
Actuarial Assumptions**

Interest rate	5.00%
Interest rate, prior fiscal year	5.00%
Healthy mortality rates - Male	RP-2014 Healthy Annuitant with Blue Collar Adjustment, males
Healthy mortality rates - Female	RP-2014 Healthy Annuitant with Blue Collar Adjustment, females
Disability mortality rates - Male	115% of RP-2014 Healthy Annuitant with Blue Collar Adjustment, males
Disability mortality rates - Female	115% of RP-2014 Healthy Annuitant with Blue Collar Adjustment, females
Decrements other than mortality	Experience tables
Rate of service-related deaths	10%
Rate of service-related disabilities	60%
Salary increases	Service-related table with rates grading from 11.00% to 3.50% at 33 years of service
Payroll Growth	3.50%
Tier 2 cost-of-living adjustment	1.25%
Marital assumptions	80% of members are assumed to be married; male spouses are assumed to be 3 years older than female spouses.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements

April 30, 2019

**Note 6 - Defined Benefit Pension Plans, continued**

Investments - Police and Firefighters' Pension Funds

The deposits and investments of each Fund are held separately from those of the City and under control of each Fund's Board of Trustees.

Investment Policy - Each pension plan's policy is established and may be amended by the applicable Board. The following investments are authorized with limitations.

Police Pension Fund - The fund can invest in mutual funds, common/preferred stock, government securities and agencies, corporate bonds and life insurance policies.

Firefighters' Pension Fund - The fund can invest in mutual funds, common/preferred stock, government securities and agencies, corporate bonds and life insurance policies.

Funding Status and Progress - as of May 1, 2018

	<u>Police</u>	<u>Firefighters</u>
Accrued liability	\$ 3,677,682	\$ 2,177,283
Actuarial value of assets	<u>2,058,722</u>	<u>1,088,426</u>
Unfunded liability	\$ <u>1,618,960</u>	\$ <u>1,088,857</u>
Funded ratio	<u>56%</u>	<u>50%</u>

**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, 2019**

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

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Budgetary basis	\$ 3,152,336	\$ 3,407,591	\$ 2,108,660
Receivables			
April 30, 2019	294,627	-	294,627
April 30, 2018	(243,654)	-	-
Payables			
April 30, 2019	-	78,359	(78,359)
April 30, 2018	-	(89,214)	-
	<u>\$ 3,203,309</u>	<u>\$ 3,396,736</u>	<u>\$ 2,324,928</u>

**Note 8 - Legal Debt Margin**

Assessed valuation - 2018 tax year	\$ 42,771,370
Statutory debt limitation	<u>.08625</u>
	3,689,031
Less any general obligation debt	-
Legal debt margin	<u>\$ 3,689,031</u>

**Note 9 - Tax Increment Financing District**

Tax Increment Financing (TIF) is a way to help finance the redevelopment of certain areas of the City. Municipalities can form TIF districts in areas that meet a number of requirements specified by Illinois law. Once an area is established as a TIF district, any property tax revenues generated by an increase in the assessed valuation of the district is collected into a special TIF Fund for use by that TIF district for qualified redevelopment costs.

The City of Hillsboro, Illinois, has the following TIF district:

<u>Name</u>	<u>Year Created</u>	<u>District Area</u>
Hillsboro Downtown TIF	9/10/2013	Hillsboro Downtown

**CITY OF HILLSBORO, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2019**

**Note 10 - Hillsboro Library District**

Effective July 1, 2018, the Hillsboro Public Library became their own taxing district, the Hillsboro Library District. The assets and activity included in this report only reflect the months of May and June 2018. The assets as of June 30, 2018, that are shown as a transfer to the Hillsboro Library District are as follows:

Cash and investments	\$ 254,078
Capital assets	<u>136,240</u>
	\$ <u>390,318</u>

**Note 11 - Change in Net Position (Restated)**

The City has restated its net position for governmental activities for the recording of the Police and Firefighters' Pension Funds. The beginning net position, as of May 1, 2018, has been restated as follows:

	<u>Governmental Activities</u>
Net position as previously reported	\$ 10,236,008
Net pension liability - Police and Fire	<u>(2,595,715)</u>
Net position, as restated	\$ <u>7,640,293</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HILLSBORO, ILLINOIS**

**Balance Sheet  
General Fund  
April 30, 2019**

<u>Assets</u>	<u>General Account</u>	<u>Fire Subscription Account</u>	<u>Solomon Harkey House Account</u>
Cash and cash equivalents	\$ 1,907,170	\$ 145,819	\$ 2,552
Receivables:			
Taxes	923,039	-	-
Accounts	<u>16,588</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,846,797</u>	<u>\$ 145,819</u>	<u>\$ 2,552</u>
 <b><u>Liabilities and Deferred Inflows of Resources</u></b>			
Liabilities:			
Accounts payable	\$ 45,983	\$ -	\$ -
Accrued wages	<u>32,376</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>78,359</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:			
Subsequent year's property taxes	<u>645,000</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>645,000</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>723,359</u>	<u>-</u>	<u>-</u>
 <b><u>Fund Balances</u></b>			
Committed	888,097	145,819	2,552
Unassigned	<u>1,235,341</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,123,438</u>	<u>145,819</u>	<u>2,552</u>
Total liabilities and fund balances	<u>\$ 2,846,797</u>	<u>\$ 145,819</u>	<u>\$ 2,552</u>

**CITY OF HILLSBORO, ILLINOIS**

**Balance Sheet  
General Fund  
April 30, 2019**

<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>
\$ 25,789	\$ 3,198	\$ 7,362	\$ 13,271	\$ 3,499	\$ 2,108,660
-	-	-	-	-	923,039
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,588</u>
<u>\$ 25,789</u>	<u>\$ 3,198</u>	<u>\$ 7,362</u>	<u>\$ 13,271</u>	<u>\$ 3,499</u>	<u>\$ 3,048,287</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,983
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,376</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,359</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>645,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>645,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>723,359</u>
25,789	3,198	7,362	13,271	3,499	1,089,587
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,235,341</u>
<u>25,789</u>	<u>3,198</u>	<u>7,362</u>	<u>13,271</u>	<u>3,499</u>	<u>2,324,928</u>
<u>\$ 25,789</u>	<u>\$ 3,198</u>	<u>\$ 7,362</u>	<u>\$ 13,271</u>	<u>\$ 3,499</u>	<u>\$ 3,048,287</u>

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Year Ended April 30, 2019**

	<b>General Account</b>	<b>Fire Subscription Account</b>	<b>Solomon Harkey House Account</b>
<b>Revenues:</b>			
Taxes	\$ 2,478,638	\$ 7,551	\$ -
Intergovernmental	22,442	-	-
Charges for services	338,737	37,084	7,200
Fines	17,354	-	-
License and permits	56,818	-	-
Investment income	6,652	234	-
Reimbursements and miscellaneous	<u>210,469</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,131,110</u>	<u>44,869</u>	<u>7,200</u>
<b>Expenditures:</b>			
Current:			
General	444,277	-	-
Public safety	1,252,533	25,782	-
Highway and streets	729,199	-	-
Culture and recreation	695,674	-	6,816
Capital outlay	<u>171,263</u>	<u>58,960</u>	<u>-</u>
Total expenditures	<u>3,292,946</u>	<u>84,742</u>	<u>6,816</u>
Net change in fund balances	(161,836)	(39,873)	384
Fund balances, beginning	<u>2,285,274</u>	<u>185,692</u>	<u>2,168</u>
Fund balances, ending	\$ <u>2,123,438</u>	\$ <u>145,819</u>	\$ <u>2,552</u>

**CITY OF HILLSBORO, ILLINOIS**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Year Ended April 30, 2019**

<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,486,189
-	-	-	15,000	-	37,442
-	-	-	-	-	383,021
-	-	755	-	320	18,429
-	-	-	-	-	56,818
50	-	-	21	9	6,966
<u>2,300</u>	<u>1,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,444</u>
<u>2,350</u>	<u>1,675</u>	<u>755</u>	<u>15,021</u>	<u>329</u>	<u>3,203,309</u>
-	-	-	-	-	444,277
-	300	-	10,607	-	1,289,222
-	-	-	-	-	729,199
1,325	-	-	-	-	703,815
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,223</u>
<u>1,325</u>	<u>300</u>	<u>-</u>	<u>10,607</u>	<u>-</u>	<u>3,396,736</u>
1,025	1,375	755	4,414	329	(193,427)
<u>24,764</u>	<u>1,823</u>	<u>6,607</u>	<u>8,857</u>	<u>3,170</u>	<u>2,518,355</u>
\$ <u>25,789</u>	\$ <u>3,198</u>	\$ <u>7,362</u>	\$ <u>13,271</u>	\$ <u>3,499</u>	\$ <u>2,324,928</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, 2019**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Property taxes	\$ 650,000	\$ 588,133	\$ (61,867)
Intergovernmental:			
State sales taxes	765,000	780,670	15,670
State income taxes	660,000	642,147	(17,853)
Replacement taxes	20,000	20,029	29
Utility taxes	300,000	302,929	2,929
Telecommunication taxes	105,000	102,567	(2,433)
Video gaming	25,000	42,164	17,164
Recreation fee	322,000	338,737	16,737
Licenses and permits	73,000	56,818	(16,182)
Fines	37,500	17,354	(20,146)
Reimbursements and insurance	199,000	131,294	(67,706)
Miscellaneous	109,275	101,616	(7,659)
Interest	<u>5,525</u>	<u>6,652</u>	<u>1,127</u>
Total revenues	<u>3,271,300</u>	<u>3,131,110</u>	<u>(140,190)</u>
<b>Expenditures:</b>			
Current:			
General	478,679	444,277	34,402
Public safety	1,140,248	1,252,533	(112,285)
Highway and streets	758,747	729,199	29,548
Culture and recreation	831,725	695,674	136,051
Capital outlay	<u>186,900</u>	<u>171,263</u>	<u>15,637</u>
Total expenditures	<u>3,396,299</u>	<u>3,292,946</u>	<u>103,353</u>
Excess (deficiency) of revenues over expenditures	<u>(124,999)</u>	<u>(161,836)</u>	<u>(36,837)</u>
<b>Other financing sources (uses):</b>			
Transfers in	<u>96,500</u>	<u>-</u>	<u>(96,500)</u>
Total other financing sources (uses)	<u>96,500</u>	<u>-</u>	<u>(96,500)</u>
Net change in fund balance	\$ <u>(28,499)</u>	(161,836)	\$ <u>(133,337)</u>
Fund balance, beginning		<u>2,285,274</u>	
Fund balance, ending		\$ <u>2,123,438</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, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Interest	\$ <u>750</u>	\$ <u>2,272</u>	\$ <u>1,522</u>
Total revenues	<u>750</u>	<u>2,272</u>	<u>1,522</u>
<b>Expenditures:</b>			
Administration	<u>-</u>	<u>38,318</u>	<u>(38,318)</u>
Total expenditures	<u>-</u>	<u>38,318</u>	<u>(38,318)</u>
Net change in fund balance	\$ <u>750</u>	(36,046)	\$ <u>(36,796)</u>
Fund balance, beginning		<u>280,800</u>	
Fund balance, ending		\$ <u>244,754</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, 2019**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Motor fuel tax allotments	\$ 174,239	\$ 157,562	\$ (16,677)
Interest	<u>          -</u>	<u>          495</u>	<u>          495</u>
Total revenues	<u>174,239</u>	<u>158,057</u>	<u>(16,182)</u>
<b>Expenditures:</b>			
Engineering fees	8,791	13,676	(4,885)
Maintenance of streets	<u>165,448</u>	<u>115,932</u>	<u>49,516</u>
Total expenditures	<u>174,239</u>	<u>129,608</u>	<u>44,631</u>
Net change in fund balance	\$ <u>          -</u>	28,449	\$ <u>28,449</u>
Fund balance, beginning		<u>140,928</u>	
Fund balance, ending		\$ <u>169,377</u>	

**CITY OF HILLSBORO, ILLINOIS**

**Multiyear Schedule of Changes  
in Net Pension Liability and Related Ratios  
Illinois Municipal Retirement Fund  
April 30, 2019  
(Unaudited)**

Calendar year ending December 31,	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Total Pension Liability</b>			
Service Cost	\$ 101,933	\$ 113,944	\$ 107,922
Interest on the Total Pension Liability	632,102	636,885	615,700
Benefit Changes	-	-	-
Difference between Expected and Actual Experience	350,318	75,851	115,591
Assumption Changes	230,228	(266,855)	(19,163)
Benefit Payments and Refunds	<u>(685,017)</u>	<u>(550,188)</u>	<u>(574,884)</u>
<b>Net Change in Total Pension Liability</b>	629,564	9,637	245,166
<b>Total Pension Liability Beginning</b>	<u>8,719,562</u>	<u>8,709,925</u>	<u>8,464,759</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 9,349,126</u>	<u>\$ 8,719,562</u>	<u>\$ 8,709,925</u>
 <b>Plan Fiduciary Net Position</b>			
Employer Contributions	\$ 102,282	\$ 114,521	\$ 123,503
Employee Contributions	52,360	44,540	45,110
Pension Plan Net Investment Income	(604,559)	1,473,940	526,795
Benefit Payments and Refunds	(685,017)	(550,188)	(574,884)
Other	<u>266,645</u>	<u>(159,131)</u>	<u>118,339</u>
<b>Net Change in Plan Fiduciary Net Position</b>	(868,289)	923,682	238,863
<b>Plan Fiduciary Net Position - Beginning</b>	<u>8,873,192</u>	<u>7,949,510</u>	<u>7,710,647</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 8,004,903</u>	<u>\$ 8,873,192</u>	<u>\$ 7,949,510</u>
<b>Net Pension Liability/(Asset) - Ending (a)-(b)</b>	\$ 1,344,223	\$ (153,630)	\$ 760,415
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.62%	101.76%	91.27%
Covered Valuation Payroll	\$ 867,537	\$ 989,804	\$ 1,002,464
Net Pension Liability as a Percentage of Covered Valuation Payroll	154.95%	(15.52)%	75.85%

**CITY OF HILLSBORO, ILLINOIS**

**Schedule of Funding Progress  
April 30, 2019  
(Unaudited)**

**Schedule of Net Position - Police and Firefighters**

The latest actuarial report available - May 1, 2018

	<u>Police</u>	<u>Firefighters</u>	<u>Total</u>
Accrued liability	\$ 3,677,682	\$ 2,177,283	\$ 5,854,965
Net position, May 1, 2018	<u>2,058,722</u>	<u>1,088,426</u>	<u>3,147,148</u>
Net pension liability, May 1, 2018	<u>\$ 1,618,960</u>	<u>\$ 1,088,857</u>	<u>\$ 2,707,817</u>

**Hillsboro Police Pension Plan**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
May 1, 2018	\$ 2,058,722	\$ 3,677,682	\$ 1,618,960	55.98%	\$ 389,834	415.29%
May 1, 2017	1,841,718	3,400,331	1,558,613	45.84%	382,117	407.89%
May 1, 2016	1,638,550	3,053,414	1,414,864	53.66%	354,661	398.93%
May 1, 2015	1,429,212	2,852,072	1,422,860	50.11%	312,458	455.38%
May 1, 2014	1,284,098	2,723,812	1,439,714	47.14%	305,178	471.76%
May 1, 2013	1,121,617	2,346,998	1,225,381	47.80%	289,619	423.10%

**Hillsboro Firefighters Pension Plan**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
May 1, 2018	\$ 1,088,426	\$ 2,177,283	\$ 1,088,857	50.01%	\$ 211,120	515.75%
May 1, 2017	1,018,946	2,056,048	1,037,102	50.44%	206,440	502.37%
May 1, 2016	948,049	1,800,646	852,597	52.65%	200,824	424.55%
May 1, 2015	860,106	1,736,365	876,259	49.53%	201,926	433.95%
May 1, 2014	782,342	1,546,402	764,060	50.59%	197,454	386.96%
May 1, 2013	699,706	1,366,605	666,899	51.20%	192,940	345.65%

**CITY OF HILLSBORO, ILLINOIS**

**Notes to Required Supplementary Information  
Year Ended April 30, 2019**

**Note 1 - Budget, Appropriation 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.

The budget and appropriation ordinance was approved on July 30, 2018.

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

For the year ended April 30, 2019, expenditures exceeded budget at the legal level of control in the individual fund as follows:

	<u>Budget</u>	<u>Expenditures</u>
CDAP Revolving Loan Fund	\$ -	\$ 38,318

**SUPPLEMENTARY INFORMATION**

**CITY OF HILLSBORO, ILLINOIS**

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

	<b><u>Business District Tax Fund</u></b>	<b><u>Tax Increment Financing Fund</u></b>	<b><u>Library Fund</u></b>	<b><u>Total</u></b>
<b><u>Assets</u></b>				
Cash	\$ 380,853	\$ 158,245	\$ -	\$ 539,098
Taxes receivable	42,534	-	-	42,534
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<b><u>\$ 423,387</u></b>	<b><u>\$ 158,245</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 581,632</u></b>
<b><u>Liabilities</u></b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accounts payable	<u>72,694</u>	<u>-</u>	<u>-</u>	<u>72,694</u>
Total liabilities	<u>72,694</u>	<u>-</u>	<u>-</u>	<u>72,694</u>
<b><u>Fund Balances</u></b>				
Restricted	<u>350,693</u>	<u>158,245</u>	<u>-</u>	<u>508,938</u>
Total fund balances	<u>350,693</u>	<u>158,245</u>	<u>-</u>	<u>508,938</u>
Total liabilities and fund balances	<b><u>\$ 423,387</u></b>	<b><u>\$ 158,245</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 581,632</u></b>

**CITY OF HILLSBORO, ILLINOIS**

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

	<b>Business District Tax Fund</b>	<b>Tax Increment Financing Fund</b>	<b>Library Fund</b>	<b>Total</b>
<b>Revenues:</b>				
Property taxes	\$ -	\$ 174,867	\$ -	\$ 174,867
Sales taxes	292,824	-	-	292,824
Investment income	<u>559</u>	<u>-</u>	<u>-</u>	<u>559</u>
Total revenues	<u>293,383</u>	<u>174,867</u>	<u>-</u>	<u>468,250</u>
<b>Expenditures:</b>				
Current:				
General government	223,260	144,208	-	367,468
Culture and recreation	-	-	27,632	27,632
Capital outlay	<u>55,697</u>	<u>-</u>	<u>-</u>	<u>55,697</u>
Total expenditures	<u>278,957</u>	<u>144,208</u>	<u>27,632</u>	<u>450,797</u>
Excess (deficiency) of revenues over expenditures	14,426	30,659	(27,632)	17,453
<b>Other financing sources (uses):</b>				
Transfer to Hillsboro Library District	<u>-</u>	<u>-</u>	<u>(254,078)</u>	<u>(254,078)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(254,078)</u>	<u>(254,078)</u>
Net change in fund balances	14,426	30,659	(281,710)	(236,625)
Fund balances, beginning	<u>336,267</u>	<u>127,586</u>	<u>281,710</u>	<u>745,563</u>
Fund balances, ending	\$ <u>350,693</u>	\$ <u>158,245</u>	\$ <u>-</u>	\$ <u>508,938</u>



**CITY OF HILLSBORO, ILLINOIS**

**Hillsboro Downtown TIF District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Year Ended April 30, 2019**

	<b><u>Year Ended April 30, 2019</u></b>	<b><u>Cumulative</u></b>
<b>Revenues:</b>		
Property taxes	\$ 174,867	\$ 686,858
Interest	<u>-</u>	<u>34</u>
Total revenues	<u>174,867</u>	<u>686,892</u>
<b>Expenditures:</b>		
Administration and legal	6,038	61,948
Distribution to taxing bodies	<u>138,170</u>	<u>466,699</u>
Total expenditures	<u>144,208</u>	<u>528,647</u>
Net change in fund balance	30,659	\$ <u>158,245</u>
Fund balance, beginning	<u>127,586</u>	
Fund balance, ending	\$ <u>158,245</u>	