

CITY OF HILLSBORO, ILLINOIS

Annual Financial Report

April 30, 2021

PATTON & COMPANY, P.C.

Certified Public Accountants

CITY OF HILLSBORO, ILLINOIS

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CITY OF HILLSBORO, ILLINOIS

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PATTON & COMPANY, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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, 2021, 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

The City 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, 2021, 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 basic financial statements that collectively comprise the City of Hillsboro, Illinois', basic financial statements. The supplementary information is presented for the purpose of additional analysis and is not a required part of the basic 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 27, 2021, 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 27, 2021

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, 2021, 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 27, 2021.

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.

Patten: Company, P.C.

September 27, 2021

Hillsboro, Illinois

BASIC FINANCIAL STATEMENTS

CITY OF HILLSBORO, ILLINOIS

**Statement of Net Position
April 30, 2021**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>Assets and Deferred Outflows of Resources</u>			
Assets:			
Cash and cash equivalents	\$ 3,962,841	\$ 2,542,558	\$ 6,505,399
Restricted cash and cash equivalent	-	908,687	908,687
Receivables (net of allowance for uncollectibles):			
Taxes	1,151,196	-	1,151,196
Notes	84,157	-	84,157
Other	5,910	575,316	581,226
Capital assets, not being depreciated	3,247,208	121,466	3,368,674
Capital assets, being depreciated (net of accumulated depreciation)	<u>3,092,604</u>	<u>12,208,634</u>	<u>15,301,238</u>
Total assets	<u>11,543,916</u>	<u>16,356,661</u>	<u>27,900,577</u>
Deferred Outflows of Resources:			
Deferred amounts related to pensions	<u>693,080</u>	<u>-</u>	<u>693,080</u>
Total assets and deferred outflows of resources	<u>12,236,996</u>	<u>16,356,661</u>	<u>28,593,657</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

**Statement of Net Position
April 30, 2021**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Liabilities and Deferred Inflows of Resources</u>			
Current liabilities:			
Accounts payable	\$ 70,757	\$ 31,159	\$ 101,916
Accrued wages	47,655	1,288	48,943
Accrued interest	-	63,920	63,920
Bonds payable	-	290,000	290,000
Notes payable	-	97,242	97,242
Compensated absences	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total current liabilities	<u>128,412</u>	<u>483,609</u>	<u>612,021</u>
Noncurrent liabilities:			
Bonds payable	-	5,430,000	5,430,000
Refundable deposits	-	47,000	47,000
Compensated absences	50,000	-	50,000
Notes payable	-	202,078	202,078
Net pension liability - IMRF	(575,221)	-	(575,221)
Net pension liability - Police and Fire	<u>2,370,665</u>	<u>-</u>	<u>2,370,665</u>
Total noncurrent liabilities	<u>1,845,444</u>	<u>5,679,078</u>	<u>7,524,522</u>
Total liabilities	<u>1,973,856</u>	<u>6,162,687</u>	<u>8,136,543</u>
Deferred inflows of resources:			
Subsequent year's property taxes	739,000	-	739,000
Deferred amounts related to pensions	<u>1,454,293</u>	<u>-</u>	<u>1,454,293</u>
Total deferred inflows of resources	<u>2,193,293</u>	<u>-</u>	<u>2,193,293</u>
Total liabilities and deferred inflows of resources	<u>4,167,149</u>	<u>6,162,687</u>	<u>10,329,836</u>
<u>Net Position</u>			
Net investment in capital assets	6,339,812	6,310,780	12,650,592
Restricted for public safety	254,525	-	254,525
Restricted for highways and streets	374,214	-	374,214
Restricted for debt	-	908,687	908,687
Restricted for culture and recreation	157,664	-	157,664
Restricted for economic development	1,218,199	-	1,218,199
Restricted for general government	805,215	-	805,215
Unrestricted	<u>(1,079,782)</u>	<u>2,974,507</u>	<u>1,894,725</u>
Total net position	<u>\$ 8,069,847</u>	<u>\$ 10,193,974</u>	<u>\$ 18,263,821</u>

CITY OF HILLSBORO, ILLINOIS

Statement of Activities Year Ended April 30, 2021

<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	\$ 586,424	\$ 63,523	\$ 256,058
Public safety	1,355,634	65,079	163,972
Streets and roads	779,121	-	23,529
Culture and recreation	<u>459,067</u>	<u>333,911</u>	<u>-</u>
Total governmental activities	<u>3,180,246</u>	<u>462,513</u>	<u>443,559</u>
Business-type activities:			
Water	2,074,074	2,384,277	-
Sewer	<u>960,459</u>	<u>861,114</u>	<u>-</u>
Total business-type activities	<u>3,034,533</u>	<u>3,245,391</u>	<u>-</u>
Total primary government	<u>\$ 6,214,779</u>	<u>\$ 3,707,904</u>	<u>\$ 443,559</u>
General revenues:			
Video gaming tax			
Motor fuel tax			
Property and replacement taxes			
Income tax			
Sales tax			
Fire tax			
Utility and telecommunication taxes			
Cannabis tax			
Investment income			
Miscellaneous			
Total general revenues			
Change in net position			
Net position, beginning of year			
Net position, ending			

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Activities Year Ended April 30, 2021

<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>
\$ 96,761	\$ (170,082)	\$ -	\$ (170,082)
-	(1,126,583)	-	(1,126,583)
204,533	(551,059)	-	(551,059)
-	(125,156)	-	(125,156)
<u>301,294</u>	<u>(1,972,880)</u>		<u>(1,972,880)</u>
-	-	310,203	310,203
-	-	(99,345)	(99,345)
-	-	<u>210,858</u>	<u>210,858</u>
<u>\$ 301,294</u>	<u>(1,972,880)</u>	<u>210,858</u>	<u>(1,762,022)</u>
	45,614	-	45,614
	233,262	-	233,262
	802,208	-	802,208
	753,420	-	753,420
	1,223,769	-	1,223,769
	8,524	-	8,524
	478,647	-	478,647
	5,073	-	5,073
	11,306	3,652	14,958
	<u>203,384</u>	-	<u>203,384</u>
	<u>3,765,207</u>	<u>3,652</u>	<u>3,768,859</u>
	1,792,327	214,510	2,006,837
	<u>6,277,520</u>	<u>9,979,464</u>	<u>16,256,984</u>
	<u>\$ 8,069,847</u>	<u>\$ 10,193,974</u>	<u>\$ 18,263,821</u>

CITY OF HILLSBORO, ILLINOIS

**Balance Sheet
Governmental Funds
April 30, 2021**

	General Fund	CDAP Revolving Loan Fund
<u>Assets</u>		
Cash and cash equivalents	\$ 2,545,101	\$ 167,354
Receivables:		
Taxes	1,025,115	-
Notes	-	84,157
Accounts	<u>5,910</u>	<u>-</u>
Total assets	\$ <u>3,576,126</u>	\$ <u>251,511</u>
<u>Liabilities and Deferred Inflows of Resources</u>		
Accounts payable	\$ 35,192	\$ -
Accrued wages	<u>47,655</u>	<u>-</u>
Total liabilities	<u>82,847</u>	<u>-</u>
Subsequent year's property taxes	<u>739,000</u>	<u>-</u>
Total deferred inflows of resources	<u>739,000</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>821,847</u>	<u>-</u>
<u>Fund Balances</u>		
Restricted	-	251,511
Committed	1,217,404	-
Unassigned	<u>1,536,875</u>	<u>-</u>
Total fund balances	<u>2,754,279</u>	<u>251,511</u>
Total liabilities and fund balances	\$ <u>3,576,126</u>	\$ <u>251,511</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

**Balance Sheet
Governmental Funds
April 30, 2021**

Motor Fuel Tax Fund	CDAP Housing Grant Fund	Other Nonmajor Governmental Funds	Total
\$ 326,427	\$ 10	\$ 923,949	\$ 3,962,841
77,262	-	48,819	1,151,196
-	-	-	84,157
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,910</u>
\$ <u>403,689</u>	\$ <u>10</u>	\$ <u>972,768</u>	\$ <u>5,204,104</u>
\$ 29,475	\$ -	\$ 6,090	\$ 70,757
<u>-</u>	<u>-</u>	<u>-</u>	<u>47,655</u>
<u>29,475</u>	<u>-</u>	<u>6,090</u>	<u>118,412</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>739,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>739,000</u>
<u>29,475</u>	<u>-</u>	<u>6,090</u>	<u>857,412</u>
374,214	10	966,678	1,592,413
-	-	-	1,217,404
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,536,875</u>
<u>374,214</u>	<u>10</u>	<u>966,678</u>	<u>4,346,692</u>
\$ <u>403,689</u>	\$ <u>10</u>	\$ <u>972,768</u>	\$ <u>5,204,104</u>

CITY OF HILLSBORO, ILLINOIS

**Reconciliation of Fund Balances of Governmental Funds to the
Governmental Activities in the Statement of Net Position
April 30, 2021**

Fund balances of the governmental funds	\$ 4,346,692
Capital assets used in governmental activities of \$19,696,002, net of accumulated depreciation of \$13,356,190, are not financial resources; and therefore, are not reported in the governmental funds	6,339,812
Deferred outflows of resources are not current financial resources; and therefore, are not reported in the funds	693,080
Deferred inflows of resources are not current financial resources; and therefore, are not reported in the funds	(1,454,293)
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 - IMRF	575,221
Compensated absences	(60,000)
Net pension liability - Police and Fire	(2,370,665)
Net position of governmental activities	\$ <u>8,069,847</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
April 30, 2021**

	General Fund	CDAP Revolving Loan Fund
Revenues:		
Taxes	\$ 2,827,723	\$ -
Intergovernmental	458,659	-
Charges for services	371,136	-
Fines	12,754	-
Licenses and permits	63,523	-
Investment income	5,216	4,137
Reimbursements and miscellaneous	<u>203,384</u>	<u>-</u>
Total revenues	<u>3,942,395</u>	<u>4,137</u>
Expenditures:		
Current:		
General government	430,485	-
Public safety	1,442,421	-
Streets and roads	723,016	-
Culture and recreation	564,085	-
Capital outlay	<u>14,895</u>	<u>-</u>
Total expenditures	<u>3,174,902</u>	<u>-</u>
Net change in fund balances	767,493	4,137
Fund balances, beginning	<u>1,986,786</u>	<u>247,374</u>
Fund balances, ending	<u>\$ 2,754,279</u>	<u>\$ 251,511</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
April 30, 2021**

Motor Fuel Tax Fund	CDAP Housing Grant Fund	Other Nonmajor Governmental Funds	Total
\$ 233,262	\$ -	\$ 489,532	\$ 3,550,517
204,533	96,761	-	759,953
-	-	-	371,136
-	-	-	12,754
-	-	-	63,523
1,065	-	888	11,306
<u>-</u>	<u>-</u>	<u>-</u>	<u>203,384</u>
<u>438,860</u>	<u>96,761</u>	<u>490,420</u>	<u>4,972,573</u>
-	-	275,402	705,887
-	-	-	1,442,421
204,627	-	-	927,643
-	116,751	-	680,836
<u>222,821</u>	<u>-</u>	<u>-</u>	<u>237,716</u>
<u>427,448</u>	<u>116,751</u>	<u>275,402</u>	<u>3,994,503</u>
11,412	(19,990)	215,018	978,070
<u>362,802</u>	<u>20,000</u>	<u>751,660</u>	<u>3,368,622</u>
\$ <u>374,214</u>	\$ <u>10</u>	\$ <u>966,678</u>	\$ <u>4,346,692</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, 2021**

Net change in fund balances - total governmental funds \$ 978,070

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	237,716
Depreciation expense	(281,532)

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:

Compensated absences	(29,000)
Pension benefits	<u>887,073</u>

Change in net position of governmental activities \$ 1,792,327

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Net Position Proprietary Funds April 30, 2021

<u>Assets</u>	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Waterworks Fund</u>	<u>Sewerage Fund</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 1,513,846	\$ 1,028,712	\$ 2,542,558
Restricted cash and cash equivalents	908,687	-	908,687
Accounts receivable (net of allowance for uncollectibles)	<u>379,008</u>	<u>196,308</u>	<u>575,316</u>
Total current assets	<u>2,801,541</u>	<u>1,225,020</u>	<u>4,026,561</u>
Noncurrent assets:			
Capital assets not being depreciated	110,406	11,060	121,466
Capital assets, net of accumulated depreciation	<u>10,826,368</u>	<u>1,382,266</u>	<u>12,208,634</u>
Total noncurrent assets	<u>10,936,774</u>	<u>1,393,326</u>	<u>12,330,100</u>
Total assets	<u>13,738,315</u>	<u>2,618,346</u>	<u>16,356,661</u>
<u>Liabilities and Net Position</u>			
Current liabilities:			
Accounts payable	13,668	17,491	31,159
Accrued wages	644	644	1,288
Accrued interest	62,318	1,602	63,920
Bonds payable	290,000	-	290,000
Notes payable	<u>48,621</u>	<u>48,621</u>	<u>97,242</u>
Total current liabilities	<u>415,251</u>	<u>68,358</u>	<u>483,609</u>
Noncurrent liabilities:			
Bonds payable	5,430,000	-	5,430,000
Refundable deposits	47,000	-	47,000
Notes payable	<u>101,039</u>	<u>101,039</u>	<u>202,078</u>
Total noncurrent liabilities	<u>5,578,039</u>	<u>101,039</u>	<u>5,679,078</u>
Total liabilities	<u>5,993,290</u>	<u>169,397</u>	<u>6,162,687</u>
Net position:			
Net investment in capital assets	5,067,114	1,243,666	6,310,780
Restricted for debt	908,687	-	908,687
Unrestricted	<u>1,769,224</u>	<u>1,205,283</u>	<u>2,974,507</u>
Total net position	<u>\$ 7,745,025</u>	<u>\$ 2,448,949</u>	<u>\$ 10,193,974</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, 2021

	Business-Type Activities - Enterprise Funds		
	Waterworks	Sewerage	
	Fund	Fund	Total
Operating revenues:			
Charges for service	\$ 2,297,011	\$ 776,922	\$ 3,073,933
Other	<u>87,266</u>	<u>84,192</u>	<u>171,458</u>
Total operating revenues	<u>2,384,277</u>	<u>861,114</u>	<u>3,245,391</u>
Operating expenses:			
Salaries	23,280	23,280	46,560
Payroll taxes and pension	5,358	5,358	10,716
Testing	500	18,000	18,500
Insurance	79,750	47,378	127,128
Administration	3,253	4,169	7,422
Utilities	72,592	76,759	149,351
Chemicals and materials	3,106	18,597	21,703
Repairs and maintenance	102,178	17,144	119,322
Miscellaneous	10,457	3,786	14,243
Professional fees	1,141,853	513,815	1,655,668
Depreciation	<u>440,262</u>	<u>227,919</u>	<u>668,181</u>
Total operating expenses	<u>1,882,589</u>	<u>956,205</u>	<u>2,838,794</u>
Operating income (loss)	<u>501,688</u>	<u>(95,091)</u>	<u>406,597</u>
Nonoperating revenues (expenses):			
Interest on investments	2,416	1,236	3,652
Interest and fees on bonds	<u>(191,485)</u>	<u>(4,254)</u>	<u>(195,739)</u>
Total nonoperating revenues (expenses)	<u>(189,069)</u>	<u>(3,018)</u>	<u>(192,087)</u>
Net income (loss) before transfers	312,619	(98,109)	214,510
Transfers in	-	56,188	56,188
Transfers out	<u>(56,188)</u>	<u>-</u>	<u>(56,188)</u>
Total transfers	<u>(56,188)</u>	<u>56,188</u>	<u>-</u>
Change in net position	256,431	(41,921)	214,510
Net position, beginning	<u>7,488,594</u>	<u>2,490,870</u>	<u>9,979,464</u>
Net position, ending	<u>\$ 7,745,025</u>	<u>\$ 2,448,949</u>	<u>\$ 10,193,974</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

**Statement of Cash Flows
Proprietary Funds
Year Ended April 30, 2021**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Waterworks</u>	<u>Sewerage</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
Cash flows from operating activities:			
Receipts from customers	\$ 2,510,848	\$ 956,418	\$ 3,467,266
Payments to suppliers	(1,416,870)	(698,778)	(2,115,648)
Payments to employees	<u>(28,631)</u>	<u>(28,631)</u>	<u>(57,262)</u>
Net cash provided by (used for) operating activities	<u>1,065,347</u>	<u>229,009</u>	<u>1,294,356</u>
Cash flows from noncapital financing activities:			
Transfers from (to) other funds	<u>(56,188)</u>	<u>56,188</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>(56,188)</u>	<u>56,188</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Principal paid on capital debt	(322,395)	(47,395)	(369,790)
Interest and fees paid on capital debt	<u>(194,285)</u>	<u>(4,762)</u>	<u>(199,047)</u>
Net cash provided by (used for) capital and related financing activities	<u>(516,680)</u>	<u>(52,157)</u>	<u>(568,837)</u>
Cash flows from investing activities:			
Interest	<u>2,416</u>	<u>1,236</u>	<u>3,652</u>
Net cash provided by (used for) investing activities	<u>2,416</u>	<u>1,236</u>	<u>3,652</u>
Change in cash and cash equivalents	494,895	234,276	729,171
Cash and cash equivalents, beginning	<u>1,927,638</u>	<u>794,436</u>	<u>2,722,074</u>
Cash and cash equivalents, ending	<u>\$ 2,422,533</u>	<u>\$ 1,028,712</u>	<u>\$ 3,451,245</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 501,688	\$ (95,091)	406,597
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	440,262	227,919	668,181
Change in assets and liabilities:			
Decrease (increase) in receivables	124,571	95,304	219,875
Increase (decrease) in payables	<u>(1,174)</u>	<u>877</u>	<u>(297)</u>
Net cash provided by operating activities	<u>\$ 1,065,347</u>	<u>\$ 229,009</u>	<u>\$ 1,294,356</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Fiduciary Net Position Fiduciary Funds - Pension Trust Funds April 30, 2021

	<u>Firefighters Pension</u>	<u>Police Pension</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ <u>139,950</u>	\$ <u>322,665</u>	\$ <u>462,615</u>
Interest receivable	7,810	14,379	22,189
Contribution receivable	<u>132,000</u>	<u>202,000</u>	<u>334,000</u>
Total receivables	<u>139,810</u>	<u>216,379</u>	<u>356,189</u>
Investments, at fair value:			
U.S. Treasury Securities	423,895	803,710	1,227,605
U.S. Agency Securities	82,961	225,776	308,737
Mutual funds	111,287	315,157	426,444
Corporate bonds	<u>414,388</u>	<u>949,023</u>	<u>1,363,411</u>
Total investments at fair value	<u>1,032,531</u>	<u>2,293,666</u>	<u>3,326,197</u>
Total assets	<u>1,312,291</u>	<u>2,832,710</u>	<u>4,145,001</u>
<u>Liabilities and Net Position</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net position restricted for pension benefits	\$ <u>1,312,291</u>	\$ <u>2,832,710</u>	\$ <u>4,145,001</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, 2021

	<u>Firefighters Pension</u>	<u>Police Pension</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 133,308	\$ 207,074	\$ 340,382
Plan members	<u>22,417</u>	<u>42,357</u>	<u>64,774</u>
Total contributions	<u>155,725</u>	<u>249,431</u>	<u>405,156</u>
Investment income:			
Interest	26,021	56,121	82,142
Dividends	2,275	4,785	7,060
Gain (loss) from sale of securities - realized	12,707	(826)	11,881
Net increase (decrease) in fair value of investments - unrealized	<u>18,805</u>	<u>75,048</u>	<u>93,853</u>
Net investment income	<u>59,808</u>	<u>135,128</u>	<u>194,936</u>
Total additions	<u>215,533</u>	<u>384,559</u>	<u>600,092</u>
Deductions:			
Benefits and refunds	84,471	56,754	141,225
Administration	<u>14,415</u>	<u>16,530</u>	<u>30,945</u>
Total deductions	<u>98,886</u>	<u>73,284</u>	<u>172,170</u>
Net increase (decrease) in net position	<u>116,647</u>	<u>311,275</u>	<u>427,922</u>
Net position restricted for pension benefits - Beginning of year	<u>1,195,644</u>	<u>2,521,435</u>	<u>3,717,079</u>
Net position restricted for pension benefits - End of year	<u>\$ 1,312,291</u>	<u>\$ 2,832,710</u>	<u>\$ 4,145,001</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2021

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, 2021

Note 1 - Summary of Significant Accounting Policies, continued

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

The CDAP Housing Grant Fund accounts for grant revenue received and expenditures for housing rehabilitation projects.

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, 2021

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, 2021

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 \$84,157 at April 30, 2021, 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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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 August 11, 2020, and the tax levy was passed by the Board on December 8, 2020. Property taxes attach as an enforceable lien on property as of January 1, and are usually payable in two installments on or about June 1st and September 1st, 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 2019 levy was based totaled \$45,098,069.

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

	Maximum 2019 Levy	2019 Actual
General corporate	0.25000	.23346
Fire protection	0.07500	.07500
Police protection	0.07500	.07500
Audit	as needed	.03548
Liability insurance	as needed	.08753
Social security	as needed	.23283
Unemployment	as needed	.00887
Workers' compensation	as needed	.11105
IMRF	as needed	.25419
Fire Pension	as needed	.24560
Police Pension	as needed	<u>.52972</u>
		<u>1.88873</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 2019 tax year. Property taxes for the 2020 levy are payable in 2021 and intended to finance the 2022 fiscal year and are not considered available for current operations and are, therefore, shown as deferred inflows of resources.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2021

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.

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 \$7,414,011 and the bank balance was \$7,455,006. Of this balance, \$750,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$6,705,006 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, 2021

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, 2021, the City's deposits were as follows:

Governmental Activities	\$ 3,962,841
Business-Type Activities	<u>3,451,245</u>
Total	\$ <u>7,414,086</u>

Fiduciary Funds

At April 30, 2021, the carrying amount of the Firefighters' Pension Fund and Police Pension Fund deposits totaled \$462,615. 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 Busey Bank.

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, 2021

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, 2021, was as follows:

	<u>Balance May 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance April 30, 2021</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 3,247,208	\$ -	\$ -	\$ 3,247,208
Total capital assets not being depreciated	<u>3,247,208</u>	<u>-</u>	<u>-</u>	<u>3,247,208</u>
Other capital assets:				
Buildings	2,264,257	-	-	2,264,257
Machinery and equipment	3,791,653	14,895	-	3,806,548
Infrastructure	<u>10,155,168</u>	<u>222,821</u>	<u>-</u>	<u>10,377,989</u>
Total other capital assets at historical cost	<u>16,211,078</u>	<u>237,716</u>	<u>-</u>	<u>16,448,794</u>
Less accumulated depreciation for:				
Buildings	1,462,107	58,066	-	1,520,173
Machinery and equipment	2,767,539	201,631	-	2,969,170
Infrastructure	<u>8,845,012</u>	<u>21,835</u>	<u>-</u>	<u>8,866,847</u>
Total accumulated depreciation	<u>13,074,658</u>	<u>281,532</u>	<u>-</u>	<u>13,356,190</u>
Other capital assets, net	<u>3,136,420</u>	<u>(43,816)</u>	<u>-</u>	<u>3,092,604</u>
Governmental activities capital assets, net	\$ <u>6,383,628</u>	\$ <u>(43,816)</u>	\$ <u>-</u>	\$ <u>6,339,812</u>

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

Governmental activities:	
General government	\$ 73,305
Public safety	134,981
Streets and roads	<u>73,246</u>
	\$ <u>281,532</u>

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2021

Note 3 - Detail Notes, continued

	<u>Balance May 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance April 30, 2021</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>30,229,432</u>	<u>-</u>	<u>-</u>	<u>30,229,432</u>
Total other capital assets at historical cost	<u>30,229,432</u>	<u>-</u>	<u>-</u>	<u>30,229,432</u>
Less accumulated depreciation for:				
Water and sewer capital assets				
Total accumulated depreciation	<u>17,352,617</u>	<u>668,181</u>	<u>-</u>	<u>18,020,798</u>
Other capital assets, net	<u>12,876,815</u>	<u>(668,181)</u>	<u>-</u>	<u>12,208,634</u>
Business-type activities capital assets, net	\$ <u><u>12,998,281</u></u>	\$ <u><u>(668,181)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>12,330,100</u></u>

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

Business-Type Activities:

Waterworks Fund	\$ 440,262
Sewerage Fund	<u>227,919</u>
Total depreciation expense for business-type activities	<u>\$ 668,181</u>

3.B. - Summary of Interfund Balances and Transfers

Transfers as of April 30, 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
Sewerage Fund	\$ 56,188	\$ -
Waterworks Fund	<u>-</u>	<u>56,188</u>
	<u>\$ 56,188</u>	<u>\$ 56,188</u>

The transfers were used for loan payments.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2021

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.

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, 2021

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, 2020, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	55
Inactive Plan Members entitled to but not yet receiving benefits	4
Active Plan Members	<u>13</u>
Total	<u>72</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 2020 was 49.03%. For the fiscal year ended April 30, 2021, the City contributed \$136,715 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, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Notes to the Financial Statements
April 30, 2021

Actuarial Assumptions

Actuarial Cost Method	Entry Age Method
Asset Valuation Method	Market Value of Assets
Price Inflation	2.25%
Salary Increases	2.85% to 13.75%, including inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019.

Mortality	For non-disabled retirees, the Pub-2010, Amount Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future-mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.
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Other Information:

Notes There were no benefit changes during the year.

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CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2021

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:

Asset Class	Target Allocation	Return 12/31/2020	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	37%	22.07%	6.35%	5.00%
International Equities	18%	13.52%	7.65%	6.00%
Fixed Income	28%	7.87%	1.40%	1.30%
Real Estate	9%	4.20%	7.10%	6.20%
Alternatives	7%			
Private Equity		N/A	10.35%	6.95%
Hedge Funds		N/A	N/A	N/A
Commodities		N/A	3.90%	2.85%
Cash Equivalents	1%	2.56%	0.70%	0.70%

Single Discount Rate

A Single Discount Rate of 7.25% 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 7.25%, the municipal bond rate is 2.00%, and the resulting single discount rate is 7.25%.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2021

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, 2020	\$ <u>9,686,553</u>	\$ <u>9,148,919</u>	\$ <u>537,634</u>
Change for the year:			
Service Cost	59,669	-	59,669
Interest on the Total Pension Liability	675,276	-	675,276
Differences Between Expected and Actual Experience of the Total Pension Liability	62,391	-	62,391
Changes of Assumptions	(28,773)	-	(28,773)
Contributions - Employer	-	313,721	(313,721)
Contributions - Employees	-	28,791	(28,791)
Net Investment Income	-	1,418,080	(1,418,080)
Benefit Payments, including Refunds of Employee Contributions	(804,462)	(804,462)	-
Other (Net Transfer)	<u>-</u>	<u>120,826</u>	<u>(120,826)</u>
Net Changes	<u>(35,899)</u>	<u>1,076,956</u>	<u>(1,112,855)</u>
Balances at December 31, 2021	\$ <u>9,650,654</u>	\$ <u>10,225,875</u>	\$ <u>(575,221)</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>420,767</u>	\$ <u>(575,221)</u>	\$ <u>(1,410,063)</u>

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2021

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, 2021, the City recognized pension expense of \$136,715. At April 30, 2021, the City recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts Related to Pensions		
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Difference between expected and actual experience	\$ 125,451	\$ -
Changes in Assumptions	22,754	15,654
Net differences between projected and actual earnings on pension plan investments	<u>504,063</u>	<u>1,438,639</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>652,268</u>	<u>1,454,293</u>
Pension Contribution made subsequent to the Measurement Date	<u>40,812</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u>\$ 693,080</u>	<u>\$ 1,454,293</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:

Year Ending December 31	Net Deferred Outflows of Resources
2021	\$ (166,567)
2022	(113,518)
2023	(368,511)
2024	<u>(153,429)</u>
Total	<u>\$ (802,025)</u>

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2021

Note 5 - Long-Term Debt

Compensated Absences

	<u>Balance</u> <u>May 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2021</u>	<u>Current</u> <u>Portion</u>
Compensated absences	\$ <u>31,000</u>	\$ <u>29,000</u>	\$ <u>-</u>	\$ <u>60,000</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, 2021:

	<u>Balance</u> <u>May 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2021</u>	<u>Current</u> <u>Portion</u>
Bonds Payable					
Waterworks and Sewerage Bonds of 2012. 2.0-3.5% (original issuance \$7,750,000 due June 1, 2037)	\$ <u>5,995,000</u>	\$ <u>-</u>	\$ <u>275,000</u>	\$ <u>5,720,000</u>	\$ <u>290,000</u>
Subtotal	5,995,000	-	275,000	5,720,000	290,000
Notes Payable					
IL EPA Loan - 2.57% (original issuance \$1,553,837 due December 3, 2023)	<u>394,110</u>	<u>-</u>	<u>94,790</u>	<u>299,320</u>	<u>97,242</u>
	\$ <u>6,389,110</u>	\$ <u>-</u>	\$ <u>369,790</u>	\$ <u>6,019,320</u>	\$ <u>387,242</u>

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements

April 30, 2021

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, 2021, are as follows:

	<u>Principal</u>	<u>Interest</u>
2022	377,241	189,219
2023	389,757	179,564
2024	402,322	169,299
2025	305,000	159,073
2026	315,000	150,277
2027-2031	1,735,000	597,993
2032-2037	2,040,000	295,813
2038	<u>455,000</u>	<u>15,925</u>
	<u>\$ 6,019,320</u>	<u>\$ 1,757,163</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, 2021, consisted of the following:

Retirees and beneficiaries currently receiving benefits	3
Inactive plan members entitled to	
but not currently receiving benefits	3
Active plan members	<u>7</u>
Total	<u>13</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 average salary for the 48 consecutive months of service within the last 60 months of service in which the total salary was the highest 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, 2021

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 8 years: Refund of Member contributions.

8 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, 2021

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

Plan membership as of May 1, 2021, consisted of the following:

Retirees and beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>4</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 per month. Tier 2: 2.50% per year of service times the average salary for the 48 consecutive months of service within the last 60 months of service in which the total salary was the highest 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, 2021

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	5.75%
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.

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.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2021

Note 6 - Defined Benefit Pension Plans, continued

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, 2020

	<u>Police</u>	<u>Firefighters</u>
Accrued liability	\$ 3,854,994	\$ 2,331,875
Actuarial value of assets	<u>2,587,051</u>	<u>1,229,163</u>
Unfunded liability	\$ <u>1,267,943</u>	\$ <u>1,102,712</u>
Funded ratio	<u>67%</u>	<u>53%</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:

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

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	\$ 3,868,059	\$ 3,168,341	\$ 2,545,101
Receivables			
April 30, 2021	292,025	-	292,025
April 30, 2020	(217,689)	-	-
Payables			
April 30, 2021	-	82,847	(82,847)
April 30, 2020	-	(76,286)	-
	\$ <u>3,942,395</u>	\$ <u>3,174,902</u>	\$ <u>2,754,279</u>

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2021

Note 8 - Legal Debt Margin

Assessed valuation - 2020 tax year	\$ 45,098,069
Statutory debt limitation	<u>.08625</u>
	3,889,708
Less any general obligation debt	<u>-</u>
Legal debt margin	\$ <u>3,889,708</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

Note 10 - Subsequent Events

Management has evaluated subsequent events through the date of this report, the date on which the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (Covid-19) pandemic. As a result, economic uncertainties have arisen, which are likely to negatively impact the operating revenues. Other financial impact could occur, though such potential impact is unknown at this time.

On June 24, 2021, the City authorized the issuance of two issues of General Obligation Bonds (Alternative Revenue Source).

	<u>Amount</u>	<u>Purpose</u>
Series 2021A	\$ 2,835,000	Sewerage Treatment Plant
Series 2021B	\$ 5,475,000	Waterworks and Sewerage Refunding Bonds

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HILLSBORO, ILLINOIS

**Balance Sheet
General Fund
April 30, 2021**

<u>Assets</u>	<u>General Account</u>	<u>Fire Subscription Account</u>	<u>Solomon Harkey House Account</u>
Cash and cash equivalents	\$ 2,262,065	\$ 207,213	\$ 819
Receivables:			
Taxes	1,025,115	-	-
Accounts	<u>5,910</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>3,293,090</u>	\$ <u>207,213</u>	\$ <u>819</u>
 <u>Liabilities and Deferred Inflows of Resources</u>			
Liabilities:			
Accounts payable	\$ 35,192	\$ -	\$ -
Accrued wages	<u>47,655</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>82,847</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:	<u>739,000</u>	<u>-</u>	<u>-</u>
Subsequent year's property taxes			
Total deferred inflows of resources	<u>739,000</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>821,847</u>	<u>-</u>	<u>-</u>
 <u>Fund Balances</u>			
Committed	934,368	207,213	819
Unassigned	<u>1,536,875</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,471,243</u>	<u>207,213</u>	<u>819</u>
Total liabilities and fund balances	\$ <u>3,293,090</u>	\$ <u>207,213</u>	\$ <u>819</u>

CITY OF HILLSBORO, ILLINOIS

**Balance Sheet
General Fund
April 30, 2021**

<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>
\$ 27,692	\$ 5,905	\$ 11,147	\$ 26,912	\$ 3,348	\$ 2,545,101
-	-	-	-	-	1,025,115
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,910</u>
\$ <u>27,692</u>	\$ <u>5,905</u>	\$ <u>11,147</u>	\$ <u>26,912</u>	\$ <u>3,348</u>	\$ <u>3,576,126</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,192
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,655</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,847</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>739,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>739,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>821,847</u>
27,692	5,905	11,147	26,912	3,348	1,217,404
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,536,875</u>
<u>27,692</u>	<u>5,905</u>	<u>11,147</u>	<u>26,912</u>	<u>3,348</u>	<u>2,754,279</u>
\$ <u>27,692</u>	\$ <u>5,905</u>	\$ <u>11,147</u>	\$ <u>26,912</u>	\$ <u>3,348</u>	\$ <u>3,576,126</u>

CITY OF HILLSBORO, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Year Ended April 30, 2021**

	General	Fire	Solomon
	Account	Subscription	Harkey
Revenues:	Account	Account	House
			Account
Taxes	\$ 2,819,199	\$ 8,524	\$ -
Intergovernmental	279,587	163,972	-
Charges for services	331,311	37,225	2,600
Fines	11,512	-	-
License and permits	63,523	-	-
Investment income	4,838	317	-
Reimbursements and miscellaneous	<u>199,142</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,709,112</u>	<u>210,038</u>	<u>2,600</u>
Expenditures:			
Current:			
General	430,485	-	-
Public safety	1,383,154	45,403	-
Highway and streets	723,016	-	-
Culture and recreation	557,950	-	5,085
Capital outlay	<u>7,500</u>	<u>7,395</u>	<u>-</u>
Total expenditures	<u>3,102,105</u>	<u>52,798</u>	<u>5,085</u>
Net change in fund balances	607,007	157,240	(2,485)
Fund balances, beginning	<u>1,864,236</u>	<u>49,973</u>	<u>3,304</u>
Fund balances, ending	\$ <u>2,471,243</u>	\$ <u>207,213</u>	\$ <u>819</u>

CITY OF HILLSBORO, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances General Fund Year Ended April 30, 2021

<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,827,723
-	-	-	15,100	-	458,659
-	-	-	-	-	371,136
-	-	1,242	-	-	12,754
-	-	-	-	-	63,523
29	-	-	28	4	5,216
<u>3,375</u>	<u>867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203,384</u>
<u>3,404</u>	<u>867</u>	<u>1,242</u>	<u>15,128</u>	<u>4</u>	<u>3,942,395</u>
-	-	-	-	-	430,485
-	-	-	13,539	325	1,442,421
-	-	-	-	-	723,016
1,050	-	-	-	-	564,085
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,895</u>
<u>1,050</u>	<u>-</u>	<u>-</u>	<u>13,539</u>	<u>325</u>	<u>3,174,902</u>
2,354	867	1,242	1,589	(321)	767,493
<u>25,338</u>	<u>5,038</u>	<u>9,905</u>	<u>25,323</u>	<u>3,669</u>	<u>1,986,786</u>
<u>\$ 27,692</u>	<u>\$ 5,905</u>	<u>\$ 11,147</u>	<u>\$ 26,912</u>	<u>\$ 3,348</u>	<u>\$ 2,754,279</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, 2021

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes	\$ 575,000	\$ 581,164	\$ 6,164
Intergovernmental:			
State sales taxes	840,000	927,472	87,472
State income taxes	675,000	753,420	78,420
Replacement taxes	25,000	27,809	2,809
Utility taxes	315,000	406,389	91,389
Telecommunication taxes	75,000	72,258	(2,742)
Video gaming taxes	60,000	45,614	(14,386)
Cannabis taxes	5,000	5,073	73
Recreation fee	212,500	331,311	118,811
Licenses and permits	126,250	63,523	(62,727)
Fines	18,000	11,512	(6,488)
Reimbursements and insurance	160,000	109,843	(50,157)
Miscellaneous	152,625	112,828	(39,797)
Interest	5,200	4,838	(362)
CURES	-	256,058	256,058
Total revenues	<u>3,244,575</u>	<u>3,709,112</u>	<u>464,537</u>
Expenditures:			
Current:			
General	425,413	430,485	(5,072)
Public safety	1,369,581	1,383,154	(13,573)
Highway and streets	791,847	723,016	68,831
Culture and recreation	641,161	557,950	83,211
Capital outlay	14,625	7,500	7,125
Total expenditures	<u>3,242,627</u>	<u>3,102,105</u>	<u>140,522</u>
Excess (deficiency) of revenues over expenditures	<u>1,948</u>	<u>607,007</u>	<u>605,059</u>
Other financing sources (uses):			
Transfers in	15,000	-	(15,000)
Total other financing sources (uses)	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Net change in fund balance	\$ <u>16,948</u>	607,007	\$ <u>590,059</u>
Fund balance, beginning		<u>1,864,236</u>	
Fund balance, ending		<u>\$ 2,471,243</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, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Interest	\$ <u>250</u>	\$ <u>4,137</u>	\$ <u>3,887</u>
Total revenues	<u>250</u>	<u>4,137</u>	<u>3,887</u>
Expenditures:			
Administration	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>250</u>	4,137	\$ <u>3,887</u>
Fund balance, beginning		<u>247,374</u>	
Fund balance, ending		\$ <u>251,511</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, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Motor fuel tax allotments	\$ 296,952	\$ 233,262	\$ (63,690)
Interest	750	1,065	315
Rebuild Illinois grant	<u>-</u>	<u>204,533</u>	<u>204,533</u>
Total revenues	<u>297,702</u>	<u>438,860</u>	<u>141,158</u>
Expenditures:			
Engineering fees	14,648	47,243	(32,595)
Maintenance of streets	209,813	157,384	52,429
Capital outlay	<u>-</u>	<u>222,821</u>	<u>(222,821)</u>
Total expenditures	<u>224,461</u>	<u>427,448</u>	<u>(202,987)</u>
Net change in fund balance	\$ <u>73,241</u>	11,412	\$ <u>(61,829)</u>
Fund balance, beginning		<u>362,802</u>	
Fund balance, ending		\$ <u>374,214</u>	

CITY OF HILLSBORO, ILLINOIS

**CDAP Housing Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
(Non-GAAP) Budget and Actual
Year Ended April 30, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ <u>370,000</u>	\$ <u>96,761</u>	\$ <u>(273,239)</u>
Total revenues	<u>370,000</u>	<u>96,761</u>	<u>(273,239)</u>
Expenditures:			
Administration	53,761	14,761	39,000
Construction	<u>316,239</u>	<u>101,990</u>	<u>214,249</u>
Total expenditures	<u>370,000</u>	<u>116,751</u>	<u>253,249</u>
Net change in fund balance	\$ <u>-</u>	(19,990)	\$ <u>(19,990)</u>
Fund balance, beginning		<u>20,000</u>	
Fund balance, ending		\$ <u>10</u>	

CITY OF HILLSBORO, ILLINOIS

**Multiyear Schedule of Changes
in Net Pension Liability and Related Ratios
Illinois Municipal Retirement Fund
April 30, 2021
(Unaudited)**

Calendar year ending December 31,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability			
Service Cost	\$ 59,669	\$ 68,493	\$ 101,933
Interest on the Total Pension Liability	675,276	651,733	632,102
Benefit Changes	-	-	-
Difference between Expected and Actual Experience	62,391	405,118	350,318
Assumption Changes	(28,773)	-	230,228
Benefit Payments and Refunds	<u>(804,462)</u>	<u>(787,917)</u>	<u>(685,017)</u>
Net Change in Total Pension Liability	(35,899)	337,427	629,564
Total Pension Liability Beginning	<u>9,686,553</u>	<u>9,349,126</u>	<u>8,719,562</u>
Total Pension Liability - Ending (a)	<u>\$ 9,650,654</u>	<u>\$ 9,686,553</u>	<u>\$ 9,349,126</u>
Plan Fiduciary Net Position			
Employer Contributions	\$ 313,721	\$ 152,628	\$ 102,282
Employee Contributions	28,791	50,478	52,360
Pension Plan Net Investment Income	1,418,080	1,637,866	(604,559)
Benefit Payments and Refunds	(804,462)	(787,917)	(685,017)
Other	<u>120,826</u>	<u>90,961</u>	<u>266,645</u>
Net Change in Plan Fiduciary Net Position	1,076,956	1,144,016	(868,289)
Plan Fiduciary Net Position - Beginning	<u>9,148,919</u>	<u>8,004,903</u>	<u>8,873,192</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,225,875</u>	<u>\$ 9,148,919</u>	<u>\$ 8,004,903</u>
Net Pension Liability/(Asset) - Ending (a)-(b)	<u>\$ (575,221)</u>	<u>\$ 537,634</u>	<u>\$ 1,344,223</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.96%	94.45%	85.62%
Covered Valuation Payroll	\$ 639,802	\$ 597,576	\$ 867,537
Net Pension Liability as a Percentage of Covered Valuation Payroll	89.91%	89.97%	154.95%

CITY OF HILLSBORO, ILLINOIS

Schedule of Funding Progress April 30, 2021 (Unaudited)

Schedule of Net Position - Police and Firefighters

The latest actuarial report available - May 1, 2020

	<u>Police</u>	<u>Firefighters</u>	<u>Total</u>
Accrued liability	\$ 3,854,994	\$ 2,331,875	\$ 6,186,869
Net position, May 1, 2020	<u>2,587,051</u>	<u>1,229,163</u>	<u>3,816,214</u>
Net pension liability, May 1, 2020	<u>\$ 1,267,943</u>	<u>\$ 1,102,712</u>	<u>\$ 2,370,655</u>

Hillsboro Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
May 1, 2020	\$ 2,587,051	\$ 3,854,994	\$ 1,267,943	67.11%	\$ 396,261	319.98%
May 1, 2019	2,301,720	4,177,306	1,875,586	55.10%	395,429	474.32%
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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
May 1, 2020	\$ 1,229,163	\$ 2,331,875	\$ 1,102,712	52.71%	\$ 217,880	506.11%
May 1, 2019	1,155,375	2,228,572	1,073,197	51.84%	205,254	522.86%
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, 2021

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 August 11, 2020.

Note 2 - Excess of Expenditures Over Appropriations

For the year ended April 30, 2021, expenditures exceeded budget at the legal level of control in the individual fund as follows:

	<u>Budget</u>	<u>Expenditures</u>
Motor Fuel Tax Fund	\$ 224,461	\$ 427,448

SUPPLEMENTARY INFORMATION

CITY OF HILLSBORO, ILLINOIS

**Combining Balance Sheet
Nonmajor Governmental Funds
April 30, 2021**

	<u>Business District Tax Fund</u>	<u>Tax Increment Financing Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ 688,069	\$ 235,880	\$ 923,949
Taxes receivable	<u>48,819</u>	<u>-</u>	<u>48,819</u>
Total assets	\$ <u>736,888</u>	\$ <u>235,880</u>	\$ <u>972,768</u>
<u>Liabilities</u>			
Accounts payable	\$ <u>4,000</u>	\$ <u>2,090</u>	\$ <u>6,090</u>
Total liabilities	<u>4,000</u>	<u>2,090</u>	<u>6,090</u>
<u>Fund Balances</u>			
Restricted	<u>732,888</u>	<u>233,790</u>	<u>966,678</u>
Total fund balances	<u>732,888</u>	<u>233,790</u>	<u>966,678</u>
Total liabilities and fund balances	\$ <u>736,888</u>	\$ <u>235,880</u>	\$ <u>972,768</u>

CITY OF HILLSBORO, ILLINOIS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended April 30, 2021**

	<u>Business District Tax Fund</u>	<u>Tax Increment Financing Fund</u>	<u>Total</u>
Revenues:			
Property taxes	\$ -	\$ 193,235	\$ 193,235
Sales taxes	296,297	-	296,297
Investment income	<u>888</u>	<u>-</u>	<u>888</u>
Total revenues	<u>297,185</u>	<u>193,235</u>	<u>490,420</u>
Expenditures:			
Current:			
General government	<u>129,282</u>	<u>146,120</u>	<u>275,402</u>
Total expenditures	<u>129,282</u>	<u>146,120</u>	<u>275,402</u>
Net change in fund balances	167,903	47,115	215,018
Fund balances, beginning	<u>564,985</u>	<u>186,675</u>	<u>751,660</u>
Fund balances, ending	<u>\$ 732,888</u>	<u>\$ 233,790</u>	<u>\$ 966,678</u>

CITY OF HILLSBORO, ILLINOIS

**Hillsboro Downtown TIF District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended April 30, 2021**

	<u>Year Ended April 30, 2021</u>	<u>Cumulative</u>
Revenues:		
Property taxes	\$ 193,235	\$ 1,041,926
Interest	<u>-</u>	<u>34</u>
Total revenues	<u>193,235</u>	<u>1,041,960</u>
Expenditures:		
Administration and legal	5,415	72,162
Distribution to taxing bodies	<u>140,705</u>	<u>736,008</u>
Total expenditures	<u>146,120</u>	<u>808,170</u>
Net change in fund balance	47,115	\$ <u>233,790</u>
Fund balance, beginning	<u>186,675</u>	
Fund balance, ending	<u>\$ 233,790</u>	