

CITY OF HILLSBORO, ILLINOIS

Annual Financial Report

April 30, 2022

PATTON & COMPANY, P.C.

Certified Public Accountants

CITY OF HILLSBORO, ILLINOIS

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PATTON & COMPANY, P.C.

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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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hillsboro, Illinois, as of April 30, 2022, and the respective changes in financial position, where applicable, cash flows thereof for the year then ended in accordance with accounting principals generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hillsboro, Illinois, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hillsboro, Illinois', ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Hillsboro, Illinois', internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hillsboro, Illinois', ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the major funds budgetary comparison be presented to supplement the basic financial statements. Such information, is the responsibility of management and, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the City of Hillsboro, Illinois', basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2022, 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 solely 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 the effectiveness of the City of Hillsboro, Illinois', 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.

Pattan & Company, P.C.
September 20, 2022

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, 2022, 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 20, 2022.

Internal Control Over Financial Reporting

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

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

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

Segregation of Duties

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

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

Effect: Transactions could be mishandled.

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

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

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

Controls Over Financial Statement Preparation

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

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

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

Cause: The City has limited resources.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hillsboro, Illinois', financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described above.

City of Hillsboro, Illinois, Response to Findings

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

Purpose of this Report

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

Patton Company, P.C.
September 20, 2022

Hillsboro, Illinois

BASIC FINANCIAL STATEMENTS

CITY OF HILLSBORO, ILLINOIS

**Statement of Net Position
April 30, 2022**

	<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	\$ 4,860,729	\$ 5,624,874	\$ 10,485,603
Restricted cash and cash equivalents	-	941,554	941,554
Receivables (net of allowance for uncollectibles):			
Taxes	1,227,661	-	1,227,661
Notes	56,729	-	56,729
Other	9,682	575,445	585,127
Capital assets, not being depreciated	3,247,208	121,466	3,368,674
Capital assets, being depreciated (net of accumulated depreciation)	<u>3,444,285</u>	<u>12,068,852</u>	<u>15,513,137</u>
Total assets	<u>12,846,294</u>	<u>19,332,191</u>	<u>32,178,485</u>
Deferred Outflows of Resources:			
Loss on refinancing of bonds	-	245,675	245,675
Deferred amounts related to pensions	<u>286,663</u>	<u>-</u>	<u>286,663</u>
Total assets and deferred outflows of resources	<u>13,132,957</u>	<u>19,577,866</u>	<u>32,710,823</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

**Statement of Net Position
April 30, 2022**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Liabilities and Deferred Inflows of Resources</u>			
Current liabilities:			
Accounts payable	\$ 99,172	\$ 58,939	\$ 158,111
Accrued wages	49,949	2,824	52,773
Accrued interest	-	73,440	73,440
Bonds payable	-	455,000	455,000
Notes payable	-	99,756	99,756
Compensated absences	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total current liabilities	<u>159,121</u>	<u>689,959</u>	<u>849,080</u>
Noncurrent liabilities:			
Bonds payable	-	8,120,000	8,120,000
Refundable deposits	-	51,000	51,000
Compensated absences	47,000	-	47,000
Notes payable	-	102,322	102,322
Net pension liability - IMRF	1,775,928	-	1,775,928
Net pension liability - Police and Fire	<u>2,357,550</u>	<u>-</u>	<u>2,357,550</u>
Total noncurrent liabilities	<u>4,180,478</u>	<u>8,273,322</u>	<u>12,453,800</u>
Total liabilities	<u>4,339,599</u>	<u>8,963,281</u>	<u>13,302,880</u>
Deferred inflows of resources:			
Bond premium	-	305,463	305,463
Subsequent year's property taxes	783,000	-	783,000
Deferred amounts related to pensions	<u>2,051,899</u>	<u>-</u>	<u>2,051,899</u>
Total deferred inflows of resources	<u>2,834,899</u>	<u>305,463</u>	<u>3,140,362</u>
Total liabilities and deferred inflows of resources	<u>7,174,498</u>	<u>9,268,744</u>	<u>16,443,242</u>
<u>Net Position</u>			
Net investment in capital assets	6,691,493	6,248,240	12,939,733
Restricted for public safety	36,560	-	36,560
Restricted for highways and streets	491,321	-	491,321
Restricted for debt	-	941,554	941,554
Restricted for culture and recreation	68,750	-	68,750
Restricted for economic development	1,287,386	-	1,287,386
Restricted for general government	1,412,125	-	1,412,125
Unrestricted	<u>(4,029,176)</u>	<u>3,119,328</u>	<u>(909,848)</u>
Total net position	<u>\$ 5,958,459</u>	<u>\$ 10,309,122</u>	<u>\$ 16,267,581</u>

CITY OF HILLSBORO, ILLINOIS

Statement of Activities Year Ended April 30, 2022

<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	\$ 1,612,558	\$ 62,809	\$ 424,712
Public safety	2,378,355	64,804	-
Streets and roads	1,780,596	-	79,541
Culture and recreation	<u>1,864,588</u>	<u>381,716</u>	<u>-</u>
Total governmental activities	<u>7,636,097</u>	<u>509,329</u>	<u>504,253</u>
Business-type activities:			
Water	2,030,157	2,353,252	-
Sewer	<u>1,170,926</u>	<u>947,132</u>	<u>-</u>
Total business-type activities	<u>3,201,083</u>	<u>3,300,384</u>	<u>-</u>
Total primary government	\$ <u>10,837,180</u>	\$ <u>3,809,713</u>	\$ <u>504,253</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			
Transfers			
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, 2022**

<u>Program Revenues</u> <u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	
\$ 273,239	\$ (851,798)	\$ -	\$ (851,798)
-	(2,313,551)	-	(2,313,551)
-	(1,701,055)	-	(1,701,055)
-	(1,482,872)	-	(1,482,872)
<u>273,239</u>	<u>(6,349,276)</u>	<u>-</u>	<u>(6,349,276)</u>
-	-	323,095	323,095
-	-	(223,794)	(223,794)
-	-	<u>99,301</u>	<u>99,301</u>
<u>\$ 273,239</u>	<u>(6,349,276)</u>	<u>99,301</u>	<u>(6,249,975)</u>
	80,407	-	80,407
	247,440	-	247,440
	882,404	-	882,404
	957,645	-	957,645
	1,338,705	-	1,338,705
	10,886	-	10,886
	480,712	-	480,712
	9,518	-	9,518
	10,862	9,120	19,982
	226,036	-	226,036
	(6,727)	6,727	-
	<u>4,237,888</u>	<u>15,847</u>	<u>4,253,735</u>
	(2,111,388)	115,148	(1,996,240)
	<u>8,069,847</u>	<u>10,193,974</u>	<u>18,263,821</u>
	<u>\$ 5,958,459</u>	<u>\$ 10,309,122</u>	<u>\$ 16,267,581</u>

CITY OF HILLSBORO, ILLINOIS

Balance Sheet Governmental Funds April 30, 2022

	General Fund	CDAP Revolving Loan Fund
<u>Assets</u>		
Cash and cash equivalents	\$ 2,922,893	\$ 197,402
Receivables:		
Taxes	1,152,187	-
Notes	-	56,729
Accounts	<u>9,682</u>	<u>-</u>
Total assets	\$ <u>4,084,762</u>	\$ <u>254,131</u>
<u>Liabilities and Deferred Inflows of Resources</u>		
Accounts payable	\$ 61,971	\$ -
Accrued wages	<u>49,949</u>	<u>-</u>
Total liabilities	<u>111,920</u>	<u>-</u>
Subsequent year's property taxes	<u>783,000</u>	<u>-</u>
Total deferred inflows of resources	<u>783,000</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>894,920</u>	<u>-</u>
<u>Fund Balances</u>		
Restricted	-	254,131
Committed	1,263,304	-
Unassigned	<u>1,926,538</u>	<u>-</u>
Total fund balances	<u>3,189,842</u>	<u>254,131</u>
Total liabilities and fund balances	\$ <u>4,084,762</u>	\$ <u>254,131</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

**Balance Sheet
Governmental Funds
April 30, 2022**

Motor Fuel Tax Fund	CDAP Housing Grant Fund	Other Nonmajor Governmental Funds	Total
\$ 482,718	\$ -	\$ 1,257,716	\$ 4,860,729
20,828	-	54,646	1,227,661
-	-	-	56,729
-	-	-	9,682
<u>\$ 503,546</u>	<u>\$ -</u>	<u>\$ 1,312,362</u>	<u>\$ 6,154,801</u>
\$ 12,225	\$ -	\$ 24,976	\$ 99,172
-	-	-	49,949
<u>12,225</u>	<u>-</u>	<u>24,976</u>	<u>149,121</u>
-	-	-	783,000
-	-	-	783,000
<u>12,225</u>	<u>-</u>	<u>24,976</u>	<u>932,121</u>
491,321	-	1,287,386	2,032,838
-	-	-	1,263,304
-	-	-	1,926,538
<u>491,321</u>	<u>-</u>	<u>1,287,386</u>	<u>5,222,680</u>
<u>\$ 503,546</u>	<u>\$ -</u>	<u>\$ 1,312,362</u>	<u>\$ 6,154,801</u>

CITY OF HILLSBORO, ILLINOIS

**Reconciliation of Fund Balances of Governmental Funds to the
Governmental Activities in the Statement of Net Position
April 30, 2022**

Fund balances of the governmental funds	\$ 5,222,680
Capital assets used in governmental activities of \$20,314,551, net of accumulated depreciation of \$13,623,058, are not financial resources; and therefore, are not reported in the governmental funds	6,691,493
Deferred outflows of resources are not current financial resources; and therefore, are not reported in the funds	286,663
Deferred inflows of resources are not current financial resources; and therefore, are not reported in the funds	(2,051,899)
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	(1,775,928)
Compensated absences	(57,000)
Net pension liability - Police and Fire	<u>(2,357,550)</u>
Net position of governmental activities	\$ <u>5,958,459</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
April 30, 2022**

	General Fund	CDAP Revolving Loan Fund
Revenues:		
Taxes	\$ 3,185,939	\$ -
Intergovernmental	439,712	-
Charges for services	422,479	-
Fines	9,041	-
Licenses and permits	62,809	-
Investment income	6,028	2,620
Reimbursements and miscellaneous	<u>226,036</u>	<u>-</u>
Total revenues	<u>4,352,044</u>	<u>2,620</u>
Expenditures:		
Current:		
General government	463,585	-
Public safety	1,410,207	-
Streets and roads	666,304	-
Culture and recreation	755,824	-
Capital outlay	<u>613,834</u>	<u>-</u>
Total expenditures	<u>3,909,754</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>442,290</u>	<u>2,620</u>
Other financing sources (uses):		
Transfers out	<u>(6,727)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,727)</u>	<u>-</u>
Net change in fund balances	<u>435,563</u>	<u>2,620</u>
Fund balances, beginning	<u>2,754,279</u>	<u>251,511</u>
Fund balances, ending	<u>\$ 3,189,842</u>	<u>\$ 254,131</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds April 30, 2022

Motor Fuel Tax Fund	CDAP Housing Grant Fund	Other Nonmajor Governmental Funds	Total
\$ 247,440	\$ -	\$ 574,338	\$ 4,007,717
79,541	273,239	-	792,492
-	-	-	422,479
-	-	-	9,041
-	-	-	62,809
1,084	-	1,130	10,862
<u>-</u>	<u>-</u>	<u>-</u>	<u>226,036</u>
<u>328,065</u>	<u>273,239</u>	<u>575,468</u>	<u>5,531,436</u>
-	-	235,705	699,290
-	-	-	1,410,207
210,958	-	-	877,262
-	273,249	-	1,029,073
<u>-</u>	<u>-</u>	<u>19,055</u>	<u>632,889</u>
<u>210,958</u>	<u>273,249</u>	<u>254,760</u>	<u>4,648,721</u>
<u>117,107</u>	<u>(10)</u>	<u>320,708</u>	<u>882,715</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,727)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,727)</u>
117,107	(10)	320,708	875,988
<u>374,214</u>	<u>10</u>	<u>966,678</u>	<u>4,346,692</u>
\$ <u>491,321</u>	\$ <u>-</u>	\$ <u>1,287,386</u>	\$ <u>5,222,680</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, 2022**

Net change in fund balances - total governmental funds \$ 875,988

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	632,889
Depreciation expense	(275,472)
Net book value of assets disposed	(5,736)

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	3,000
Pension benefits	(3,342,057)

Change in net position of governmental activities \$ (2,111,388)

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Net Position Proprietary Funds April 30, 2022

	<u>Business-Type Activities - Enterprise Funds</u>		
<u>Assets</u>	<u>Waterworks Fund</u>	<u>Sewerage Fund</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 1,889,082	\$ 3,735,792	\$ 5,624,874
Restricted cash and cash equivalents	941,554	-	941,554
Accounts receivable (net of allowance for uncollectibles)	<u>368,963</u>	<u>206,482</u>	<u>575,445</u>
Total current assets	<u>3,199,599</u>	<u>3,942,274</u>	<u>7,141,873</u>
Noncurrent assets:			
Capital assets not being depreciated	110,406	11,060	121,466
Capital assets, net of accumulated depreciation	<u>10,446,950</u>	<u>1,621,902</u>	<u>12,068,852</u>
Total noncurrent assets	<u>10,557,356</u>	<u>1,632,962</u>	<u>12,190,318</u>
Total assets	<u>13,756,955</u>	<u>5,575,236</u>	<u>19,332,191</u>
 <u>Deferred Outflows of Resources</u>			
Loss on refinancing of bonds	<u>245,675</u>	<u>-</u>	<u>245,675</u>
Total assets and deferred outflows of resources	<u>14,002,630</u>	<u>5,575,236</u>	<u>19,577,866</u>
 <u>Liabilities and Net Position</u>			
Current liabilities:			
Accounts payable	14,749	44,190	58,939
Accrued wages	1,412	1,412	2,824
Accrued interest	36,921	36,519	73,440
Bonds payable	340,000	115,000	455,000
Notes payable	<u>49,878</u>	<u>49,878</u>	<u>99,756</u>
Total current liabilities	<u>442,960</u>	<u>246,999</u>	<u>689,959</u>
Noncurrent liabilities:			
Bonds payable	5,400,000	2,720,000	8,120,000
Refundable deposits	51,000	-	51,000
Notes payable	<u>51,161</u>	<u>51,161</u>	<u>102,322</u>
Total noncurrent liabilities	<u>5,502,161</u>	<u>2,771,161</u>	<u>8,273,322</u>
Total liabilities	<u>5,945,121</u>	<u>3,018,160</u>	<u>8,963,281</u>
 <u>Deferred Inflows of Resources</u>			
Bond premium	-	<u>305,463</u>	<u>305,463</u>
Total liabilities and deferred inflows of resources	<u>5,945,121</u>	<u>3,323,623</u>	<u>9,268,744</u>
Net position:			
Net investment in capital assets	4,716,317	1,531,923	6,248,240
Restricted for debt	941,554	-	941,554
Unrestricted	<u>2,399,638</u>	<u>719,690</u>	<u>3,119,328</u>
Total net position	<u>\$ 8,057,509</u>	<u>\$ 2,251,613</u>	<u>\$ 10,309,122</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, 2022**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Waterworks</u>	<u>Sewerage</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$ 2,243,071	\$ 834,086	\$ 3,077,157
Other	<u>110,181</u>	<u>113,046</u>	<u>223,227</u>
Total operating revenues	<u>2,353,252</u>	<u>947,132</u>	<u>3,300,384</u>
Operating expenses:			
Salaries	31,260	31,260	62,520
Payroll taxes and pension	6,124	6,124	12,248
Testing	500	18,000	18,500
Insurance	71,967	36,537	108,504
Administration	3,633	4,392	8,025
Utilities	81,262	88,290	169,552
Chemicals and materials	12,557	24,359	36,916
Repairs and maintenance	103,410	27,340	130,750
Miscellaneous	19,791	5,615	25,406
Professional fees	1,121,969	491,788	1,613,757
Depreciation	379,418	221,214	600,632
Bond issuance costs	<u>77,494</u>	<u>140,463</u>	<u>217,957</u>
Total operating expenses	<u>1,909,385</u>	<u>1,095,382</u>	<u>3,004,767</u>
Operating income (loss)	<u>443,867</u>	<u>(148,250)</u>	<u>295,617</u>
Nonoperating revenues (expenses):			
Interest on investments	4,081	5,039	9,120
Interest and fees on bonds	<u>(120,772)</u>	<u>(75,544)</u>	<u>(196,316)</u>
Total nonoperating revenues (expenses)	<u>(116,691)</u>	<u>(70,505)</u>	<u>(187,196)</u>
Net income (loss) before transfers	327,176	(218,755)	108,421
Transfers in	620,774	104,328	725,102
Transfers out	<u>(635,466)</u>	<u>(82,909)</u>	<u>(718,375)</u>
Total transfers	<u>(14,692)</u>	<u>21,419</u>	<u>6,727</u>
Change in net position	312,484	(197,336)	115,148
Net position, beginning	<u>7,745,025</u>	<u>2,448,949</u>	<u>10,193,974</u>
Net position, ending	<u>\$ 8,057,509</u>	<u>\$ 2,251,613</u>	<u>\$ 10,309,122</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Cash Flows Proprietary Funds Year Ended April 30, 2022

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Waterworks Fund</u>	<u>Sewerage Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 2,367,297	\$ 936,958	\$ 3,304,255
Payments to suppliers	(1,491,502)	(810,085)	(2,301,587)
Payments to employees	<u>(36,616)</u>	<u>(36,616)</u>	<u>(73,232)</u>
Net cash provided by (used for) operating activities	<u>839,179</u>	<u>90,257</u>	<u>929,436</u>
Cash flows from noncapital financing activities:			
Transfers from (to) other funds	<u>(14,692)</u>	<u>21,419</u>	<u>6,727</u>
Net cash provided by (used for) noncapital financing activities	<u>(14,692)</u>	<u>21,419</u>	<u>6,727</u>
Cash flows from capital and related financing activities:			
Proceeds from debt issued	20,000	2,835,000	2,855,000
Principal paid on capital debt	(48,621)	(48,621)	(97,242)
Interest and fees paid on capital debt	(146,169)	(40,627)	(186,796)
Debt issuance costs paid, net of premium received	(245,675)	305,463	59,788
Purchase of capital assets	<u>-</u>	<u>(460,850)</u>	<u>(460,850)</u>
Net cash provided by (used for) capital and related financing activities	<u>(420,465)</u>	<u>2,590,365</u>	<u>2,169,900</u>
Cash flows from investing activities:			
Interest	<u>4,081</u>	<u>5,039</u>	<u>9,120</u>
Net cash provided by (used for) investing activities	<u>4,081</u>	<u>5,039</u>	<u>9,120</u>
Change in cash and cash equivalents	408,103	2,707,080	3,115,183
Cash and cash equivalents, beginning	<u>2,422,533</u>	<u>1,028,712</u>	<u>3,451,245</u>
Cash and cash equivalents, ending	<u>\$ 2,830,636</u>	<u>\$ 3,735,792</u>	<u>\$ 6,566,428</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 443,867	\$ (148,250)	\$ 295,617
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	379,418	221,214	600,632
Change in assets and liabilities:			
Decrease (increase) in receivables	10,045	(10,174)	(129)
Increase (decrease) in payables	<u>5,849</u>	<u>27,467</u>	<u>33,316</u>
Net cash provided by operating activities	<u>\$ 839,179</u>	<u>\$ 90,257</u>	<u>\$ 929,436</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

**Statement of Fiduciary Net Position
Fiduciary Funds - Pension Trust Funds
April 30, 2022**

	<u>Firefighters Pension</u>	<u>Police Pension</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ <u>240,516</u>	\$ <u>428,962</u>	\$ <u>669,478</u>
Property tax receivable	<u>132,000</u>	<u>202,000</u>	<u>334,000</u>
Investments, at fair value:			
Illinois police officers' pension investment fund	-	2,160,396	2,160,396
Illinois firefighters' pension investment fund	<u>891,279</u>	<u>-</u>	<u>891,279</u>
Total investments at fair value	<u>891,279</u>	<u>2,160,396</u>	<u>3,051,675</u>
Total assets	\$ <u>1,263,795</u>	\$ <u>2,791,358</u>	\$ <u>4,055,153</u>
<u>Deferred Inflows of Resources</u>			
Subsequent year's property taxes	<u>132,000</u>	<u>202,000</u>	<u>334,000</u>
<u>Net Position</u>			
Net position held in trust	<u>1,131,795</u>	<u>2,589,358</u>	<u>3,721,153</u>
Total deferred inflows of resources and net position	\$ <u>1,263,795</u>	\$ <u>2,791,358</u>	\$ <u>4,055,153</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, 2022

	<u>Firefighters Pension</u>	<u>Police Pension</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 133,659	\$ 203,403	\$ 337,062
Plan members	<u>21,381</u>	<u>38,521</u>	<u>59,902</u>
Total contributions	<u>155,040</u>	<u>241,924</u>	<u>396,964</u>
Investment income:			
Interest and dividends	7,206	35,646	42,852
Loss on sale	(125)	(5,743)	(5,868)
Illinois pool income:			
Realized gains (losses)	(35,286)	(43,626)	(78,912)
Interest and dividends	2,361	2,103	4,464
Unrealized gain (losses)	(64,758)	(156,803)	(221,561)
Expenses	<u>(23)</u>	<u>-</u>	<u>(23)</u>
Net investment income	<u>(90,625)</u>	<u>(168,423)</u>	<u>(259,048)</u>
Total additions	<u>64,415</u>	<u>73,501</u>	<u>137,916</u>
Deductions:			
Benefits payments	101,388	96,591	197,979
Administration	<u>11,523</u>	<u>18,262</u>	<u>29,785</u>
Total deductions	<u>112,911</u>	<u>114,853</u>	<u>227,764</u>
Increase (decrease) in net position	(48,496)	(41,352)	(89,848)
Net position, beginning of year (as restated)	<u>1,180,291</u>	<u>2,630,710</u>	<u>3,811,001</u>
Net position, end of year	<u>\$ 1,131,795</u>	<u>\$ 2,589,358</u>	<u>\$ 3,721,153</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2022

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, 2022

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, 2022

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, 2022

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 \$56,729 at April 30, 2022, 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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

Note 1 - Summary of Significant Accounting Policies, continued

1.G. - Use of Estimates

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

1.H. - Property Taxes

The City's property tax is levied on assessed values established by the County Assessor's office at varying rates of assessed market value depending on whether the property is commercial or residential. The budget and appropriation ordinance was approved on July 30, 2021, and the tax levy was passed by the Board on November 23, 2021. 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 2020 levy was based totaled \$48,340,714.

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

	Maximum 2020 Levy	2020 <u>Actual</u>
General corporate	0.25000	.22756
Fire protection	0.07500	.07344
Police protection	0.07500	.07344
Audit	as needed	.03414
Liability insurance	as needed	.09230
Social security	as needed	.22445
Unemployment	as needed	.00828
Workers' compensation	as needed	.09919
IMRF	as needed	.23687
Fire Pension	as needed	.27493
Police Pension	as needed	<u>.41839</u>
		<u>1.76299</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 2020 tax year. Property taxes for the 2021 levy are payable in 2022 and intended to finance the 2023 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, 2022

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 \$11,427,082 and the bank balance was \$11,509,792. Of this balance, \$750,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$10,759,792 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, 2022

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, 2022, the City's deposits were as follows:

Governmental Activities	\$ 4,860,729
Business-Type Activities	<u>6,566,428</u>
Total	<u>\$ 11,427,157</u>

Fiduciary Funds

At April 30, 2022, the carrying amount of the Firefighters' Pension Fund and Police Pension Fund deposits totaled \$669,478. 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 have been transferred to the State of Illinois Police Officers' Investment Fund and the State of Illinois Firefighters' Investment Fund.

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, 2022

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, 2022, was as follows:

	<u>Balance May 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance April 30, 2022</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ <u>3,247,208</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,247,208</u>
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	3,806,548	632,889	14,340	4,425,097
Infrastructure	<u>10,377,989</u>	<u>-</u>	<u>-</u>	<u>10,377,989</u>
Total other capital assets at historical cost	<u>16,448,794</u>	<u>632,889</u>	<u>14,340</u>	<u>17,067,343</u>
Less accumulated depreciation for:				
Buildings	1,520,173	58,066	-	1,578,239
Machinery and equipment	2,969,170	210,910	8,604	3,171,476
Infrastructure	<u>8,866,847</u>	<u>6,496</u>	<u>-</u>	<u>8,873,343</u>
Total accumulated depreciation	<u>13,356,190</u>	<u>275,472</u>	<u>8,604</u>	<u>13,623,058</u>
Other capital assets, net	<u>3,092,604</u>	<u>357,417</u>	<u>5,736</u>	<u>3,444,285</u>
Governmental activities capital assets, net	\$ <u>6,339,812</u>	\$ <u>357,417</u>	\$ <u>5,736</u>	\$ <u>6,691,493</u>

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

Governmental activities:	
General government	\$ 75,018
Public safety	132,634
Streets and roads	<u>67,820</u>
	\$ <u>275,472</u>

CITY OF HILLSBORO, ILLINOIS

**Notes to the Financial Statements
April 30, 2022**

Note 3 - Detail Notes, continued

	<u>Balance May 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance April 30, 2022</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>460,850</u>	<u>-</u>	<u>30,690,282</u>
Total other capital assets at historical cost	<u>30,229,432</u>	<u>460,850</u>	<u>-</u>	<u>30,690,282</u>
Less accumulated depreciation for:				
Water and sewer capital assets				
Total accumulated depreciation	<u>18,020,798</u>	<u>600,632</u>	<u>-</u>	<u>18,621,430</u>
Other capital assets, net	<u>12,208,634</u>	<u>(139,782)</u>	<u>-</u>	<u>12,068,852</u>
Business-type activities capital assets, net	\$ <u>12,330,100</u>	\$ <u>(139,782)</u>	\$ <u>-</u>	\$ <u>12,190,318</u>

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

Business-Type Activities:	
Waterworks Fund	\$ 379,418
Sewerage Fund	<u>221,214</u>
Total depreciation expense for business-type activities	\$ <u>600,632</u>

3.B. - Summary of Interfund Balances and Transfers

Transfers as of April 30, 2022:

	<u>Transfers In</u>	<u>Transfers Out</u>
Sewerage Fund	\$ 21,419	\$ -
Waterworks Fund	-	14,692
General Fund	<u>-</u>	<u>6,727</u>
	\$ <u>21,419</u>	\$ <u>21,419</u>

The transfers were used for loan payments.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2022

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, 2022

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, 2021, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	53
Inactive Plan Members entitled to but not yet receiving benefits	2
Active Plan Members	<u>15</u>
Total	<u>70</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 2021 was 15.83%. For the fiscal year ended April 30, 2022, the City contributed \$122,840 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, 2021. 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, 2022

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%

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.

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, 2022

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 12/31/2021	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	39%	24.89%	3.25%	1.90%
International Equities	15%	9.78%	4.89%	3.15%
Fixed Income	25%	-.44%	-.50%	-.60%
Real Estate	10%	21.95%	4.20%	3.30%
Alternatives	10%			
Private Equity		N/A	8.85%	5.50%
Hedge Funds		N/A	N/A	N/A
Commodities		N/A	2.90%	1.70%
Cash Equivalents	1%	2.44%	-.90%	-.90%

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, 2022

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, 2021	\$ <u>9,650,654</u>	\$ <u>10,225,875</u>	\$ <u>(575,221)</u>
Change for the year:			
Service Cost	61,448	-	61,448
Interest on the Total Pension Liability	674,130	-	674,130
Differences Between Expected and Actual Experience of the Total Pension Liability	(396,129)	-	(396,129)
Changes of Assumptions	-	-	-
Contributions - Employer	-	100,873	(100,873)
Contributions - Employees	-	28,675	(28,675)
Net Investment Income	-	1,885,215	(1,885,215)
Benefit Payments, including Refunds of Employee Contributions	(766,060)	(766,060)	-
Other (Net Transfer)	<u>-</u>	<u>(474,607)</u>	<u>474,607</u>
Net Changes	<u>(426,611)</u>	<u>774,096</u>	<u>(1,200,707)</u>
Balances at December 31, 2022	\$ <u>9,224,043</u>	\$ <u>10,999,971</u>	\$ <u>(1,775,928)</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>(809,967)</u>	\$ <u>(1,775,928)</u>	\$ <u>(2,580,981)</u>

CITY OF HILLSBORO, ILLINOIS

**Notes to the Financial Statements
April 30, 2022**

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, 2022, the City recognized pension expense of \$122,840. At April 30, 2022, the City recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts Related to Pensions		
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Difference between expected and actual experience	\$ 5,499	\$ 211,617
Changes in Assumptions	-	2,535
Net differences between projected and actual earnings on pension plan investments	<u>252,031</u>	<u>1,837,747</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>257,530</u>	<u>2,051,899</u>
Pension Contribution made subsequent to the Measurement Date	<u>29,133</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u>\$ 286,663</u>	<u>\$ 2,051,899</u>

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

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>
2022	\$ (534,853)
2023	(632,439)
2024	(390,252)
2025	<u>(236,825)</u>
Total	<u>\$ (1,794,369)</u>

CITY OF HILLSBORO, ILLINOIS

**Notes to the Financial Statements
April 30, 2022**

Note 5 - Long-Term Debt

Compensated Absences

	<u>Balance May 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance April 30, 2022</u>	<u>Current Portion</u>
Compensated absences	\$ <u>60,000</u>	\$ <u>-</u>	\$ <u>3,000</u>	\$ <u>57,000</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 May 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance April 30, 2022</u>	<u>Current Portion</u>
Bonds Payable					
Waterworks and Sewerage Bonds of 2012. 2.0-3.5% (original issuance \$7,750,000 due June 1, 2037) - Refinanced June 24, 2021	\$ 5,720,000	\$ -	\$ 5,720,000	\$ -	\$ -
Taxable General Obligation Bonds (Alternative Revenue Source) Waterworks and Sewerage Bonds of 2021. 1.0-2.65% (original issuance \$5,475,000 due December 1, 2036. Includes one principal payment of \$ 290,000 on old bonds refinanced).	-	5,765,000	25,000	5,740,000	340,000
General Obligation Bonds (Alternative Revenue Source) Sewerage Bonds of 2021 3.0% (original issuance \$2,835,000 due December 1, 2040).	-	2,835,000	-	2,835,000	115,000
Subtotal	5,720,000	8,600,000	5,745,000	8,575,000	455,000
Notes Payable					
IL EPA Loan - 2.57% (original issuance \$1,553,837 due December 3, 2023)	299,320	-	97,242	202,078	99,756
	\$ <u>6,019,320</u>	\$ <u>8,600,000</u>	\$ <u>5,842,242</u>	\$ <u>8,777,078</u>	\$ <u>554,756</u>

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2022

Note 5 - Long-Term Debt, continued

Current Refunding

On June 24, 2021, bonds in the amount of \$5,475,000 were issued with an average rate of 4.197% to refund \$5,720,000 of outstanding bonds with an average rate of 4.462%. The net proceeds were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the old bonds prior to current refunding was \$7,372,433.75 for 2021 through 2036. The cash flow requirements on the new bonds is \$7,107,074.59 for 2021 through 2036. The current refunding resulted in an economic gain of \$265,359.16.

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, 2022, are as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 554,756	\$ 189,439
2024	567,322	182,909
2025	470,000	173,982
2026	480,000	166,882
2027-2031	2,535,000	709,930
2032-2037	2,820,000	416,427
2038	<u>1,350,000</u>	<u>95,042</u>
	<u>\$ 8,777,078</u>	<u>\$ 1,934,611</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. The City accounts for the plan as a pension trust fund.

Plan membership as of April 30, 2022, consisted of the following:

Retirees and beneficiaries currently receiving benefits	3
Inactive plan members entitled to	
but not currently receiving benefits	1
Active plan members	<u>9</u>
Total	<u>13</u>

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements

April 30, 2022

Note 6 - Defined Benefit Pension Plans, continued

Benefits Provided

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

Under Tier 1, a police officer age 50 or more with 20 or more years of creditable service shall receive a pension of one-half of the salary attached to the rank held by the officer at the date of retirement. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years of service through 30 years of service, to a maximum of 75% of such salary. The minimum monthly benefit is \$1,000 per month. The monthly benefit shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension, and 3% compounded annually thereafter. Those that retire prior to age 55 receive an increase of 1/12 of 3% for each full month from benefit commencement until age 55 is reached.

Under Tier 2, a police officer age 55 or more with 10 or more years of creditable service shall receive a pension of 2.5% per year of service times the average salary for the forty-eight consecutive months of service within the last sixty 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. The minimum monthly benefit is \$1,000 per month. The salary is capped at a rate of \$106,800 as of 2011, indexed annually at a rate of CPI-U, but not to exceed 3%. An annual cost-of-living adjustment is calculated each January 1st. The increase is equal to 3% per year or one-half of the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with the September preceding each November 1st, whichever is less, of the original pension after the attainment of age 60 or first anniversary of pension state date, whichever is later.

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

If an officer dies in the line of service, the named beneficiary is entitled to a death benefit equal to 100% of the officer's salary attached to the rank held by the officer on the last day of service. For a non-service death, the beneficiary would received a maximum of 54% of the salary attached to the rank held by the officer on the last day of service, and the monthly retirement pension earned by the deceased officer at the time of death, regardless of whether death occurs before or after age 50. For non-service deaths with less than 10 years of service, a refund of member contributions is provided.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2022

Note 6 - Defined Benefit Pension Plans, continued

After termination of service, an officer in Tier 1 with less than 8 years of service or an officer in Tier 2 with less than 10 years of service will receive a refund of their contributions. If an officer in Tier 1 has 8 or more years of service or an officer in Tier 2 has 10 or more years of service, the officer will receive either a refund of their contributions, or the termination benefit, payable upon reaching age 60 (55 for Tier 2), provided contributions are not withdrawn. The termination benefit is 2.50% of the annual salary held in the year prior to termination times years of creditable service.

Contributions

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

Investment Policy

The investments were all transferred to the Illinois Police Officers' Investment Fund during the fiscal year.

All investments in the plan are stated at fair value and are recorded as of the trade date.

Firefighters Pension Fund

Plan Description

Fire sworn personnel are covered by the Firefighters Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. Separate financial statements are not issued for this pension plan.

The Firefighters Pension Plan is administered by a five member board of trustees. The Board consists of two trustees elected by and from the active members, one trustee elected by and from the retired/disabled members of the fund, and two trustees appointed by the mayor. Appointed trustees' terms are not mandated, but typically serve three years.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2022

Note 6 - Defined Benefit Pension Plans, continued

Benefits Provided

Employees hired before January 1, 2011 are eligible for Tier 1 benefits. The Firefighters Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years, to a maximum of 75% of such salary.

Employees hired after January 1, 2011 are eligible for Tier 2 benefits. The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 55 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of an average of their highest 8 of last 10 years of salary. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The pension is increased on January 1 every year after retirement, 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 - At April 30, 2022, Firefighters Pension Plan membership consisted of:

Active members	6
Retirees and beneficiaries	4
Inactive, non-retired members	<u>1</u>
Total	<u>11</u>

Contributions

As set by statute, covered employees are required to contribute 8.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary.

Investment Policy

The investments were all transferred to the Illinois Firefighters' Investment Fund during the fiscal year.

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.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2022

Note 6 - Defined Benefit Pension Plans, continued

Funding Status and Progress - as of May 1, 2021

	<u>Police</u>	<u>Firefighters</u>
Accrued liability	\$ 4,134,500	\$ 2,433,556
Actuarial value of assets	<u>2,880,704</u>	<u>1,329,802</u>
Unfunded liability	\$ <u>1,253,796</u>	\$ <u>1,103,754</u>
Funded ratio	<u>70%</u>	<u>55%</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	\$ 4,265,200	\$ 3,887,408	\$ 2,922,893
Receivables			
April 30, 2022	378,869	-	378,869
April 30, 2022	(292,025)	-	-
Payables			
April 30, 2022	-	111,920	(111,920)
April 30, 2021	-	(82,847)	-
	\$ <u>4,352,044</u>	\$ <u>3,916,481</u>	\$ <u>3,189,842</u>

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2022

Note 8 - Legal Debt Margin

Assessed valuation - 2021 tax year	\$ 48,340,714
Statutory debt limitation	<u>.08625</u>
	4,169,387
Less any general obligation debt	<u>-</u>
Legal debt margin	\$ <u>4,169,387</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.

Note 11 - Restated Net Position

The beginning net position of the Pension Trust Funds has been restated to reflect property tax receivables as Deferred Inflows of Resources.

	<u>Firefighters Pension</u>	<u>Police Pension</u>	<u>Total</u>
Net position, beginning as previously reported	\$ 1,312,291	\$ 2,832,710	\$ 4,145,001
Deferred inflows of resources	<u>(132,000)</u>	<u>(202,000)</u>	<u>(334,000)</u>
Net position, beginning, as restated	\$ <u>1,180,291</u>	\$ <u>2,630,710</u>	\$ <u>3,811,001</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HILLSBORO, ILLINOIS

Balance Sheet General Fund April 30, 2022

	<u>General Account</u>	<u>Fire Subscription Account</u>	<u>Solomon Harkey House Account</u>	<u>Youth Sports Account</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 2,817,583	\$ 1,297	\$ 2,582	\$ 37,373
Receivables:				
Taxes	1,152,187	-	-	-
Accounts	<u>9,682</u>	<u>-</u>	<u>2,582</u>	<u>-</u>
Total assets	\$ <u>3,979,452</u>	\$ <u>1,297</u>	\$ <u>2,582</u>	\$ <u>37,373</u>
<u>Liabilities and Deferred Inflows of Resources</u>				
Liabilities:				
Accounts payable	\$ 61,971	\$ -	\$ -	\$ -
Accrued wages	<u>49,949</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>111,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:	<u>783,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subsequent year's property taxes				
Total deferred inflows of resources	<u>783,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>894,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>				
Committed	1,157,994	1,297	2,582	37,373
Unassigned	<u>1,926,538</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>3,084,532</u>	<u>1,297</u>	<u>2,582</u>	<u>37,373</u>
Total liabilities and fund balances	\$ <u>3,979,452</u>	\$ <u>1,297</u>	\$ <u>2,582</u>	\$ <u>37,373</u>

CITY OF HILLSBORO, ILLINOIS

**Balance Sheet
General Fund
April 30, 2022**

<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>
\$ 28,795	\$ 6,378	\$ 2,992	\$ 22,522	\$ 3,371	\$ 2,922,893
-	-	-	-	-	1,152,187
-	-	-	-	-	9,682
<u>\$ 28,795</u>	<u>\$ 6,378</u>	<u>\$ 2,992</u>	<u>\$ 22,522</u>	<u>\$ 3,371</u>	<u>\$ 4,084,762</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,971
-	-	-	-	-	49,949
-	-	-	-	-	111,920
-	-	-	-	-	783,000
-	-	-	-	-	783,000
-	-	-	-	-	894,920
28,795	6,378	2,992	22,522	3,371	1,263,304
-	-	-	-	-	1,926,538
<u>28,795</u>	<u>6,378</u>	<u>2,992</u>	<u>22,522</u>	<u>3,371</u>	<u>3,189,842</u>
<u>\$ 28,795</u>	<u>\$ 6,378</u>	<u>\$ 2,992</u>	<u>\$ 22,522</u>	<u>\$ 3,371</u>	<u>\$ 4,084,762</u>

CITY OF HILLSBORO, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Year Ended April 30, 2022**

	General Account	Fire Subscription Account	Solomon Harkey House Account	Youth Sports Account
Revenues:				
Taxes	\$ 3,175,053	\$ 10,886	\$ -	\$ -
Intergovernmental	424,712	-	-	-
Charges for services	316,361	34,700	7,800	63,618
Fines	8,196	-	-	-
License and permits	62,809	-	-	-
Investment income	5,686	277	-	-
Reimbursements and miscellaneous	<u>212,211</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total revenues	<u>4,205,028</u>	<u>45,863</u>	<u>7,800</u>	<u>73,618</u>
Expenditures:				
Current:				
General	463,585	-	-	-
Public safety	1,409,675	-	-	-
Highway and streets	666,304	-	-	-
Culture and recreation	711,817	-	6,037	36,245
Capital outlay	<u>333,631</u>	<u>251,779</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,585,012</u>	<u>251,779</u>	<u>6,037</u>	<u>36,245</u>
Excess (deficiency) of revenues over expenditures	<u>620,016</u>	<u>(205,916)</u>	<u>1,763</u>	<u>37,373</u>
Other Financing Sources (Uses):				
Transfers out	<u>(6,727)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,727)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	613,289	(205,916)	1,763	37,373
Fund balances, beginning	<u>2,471,243</u>	<u>207,213</u>	<u>819</u>	<u>-</u>
Fund balances, ending	\$ <u>3,084,532</u>	\$ <u>1,297</u>	\$ <u>2,582</u>	\$ <u>37,373</u>

CITY OF HILLSBORO, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances General Fund Year Ended April 30, 2022

<u>Lake Lot Deposit Account</u>	<u>School Resource D.A.R.E. Account</u>	<u>DUI Equipment Account</u>	<u>Police Dept. Rural Account</u>	<u>Police Vehicle Account</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,185,939
-	-	-	15,000	-	439,712
-	-	-	-	-	422,479
-	-	845	-	-	9,041
-	-	-	-	-	62,809
28	-	-	34	3	6,028
<u>2,800</u>	<u>1,005</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>226,036</u>
<u>2,828</u>	<u>1,005</u>	<u>845</u>	<u>15,034</u>	<u>23</u>	<u>4,352,044</u>
-	-	-	-	-	463,585
-	532	-	-	-	1,410,207
-	-	-	-	-	666,304
1,725	-	-	-	-	755,824
<u>-</u>	<u>-</u>	<u>9,000</u>	<u>19,424</u>	<u>-</u>	<u>613,834</u>
<u>1,725</u>	<u>532</u>	<u>9,000</u>	<u>19,424</u>	<u>-</u>	<u>3,909,754</u>
<u>1,103</u>	<u>473</u>	<u>(8,155)</u>	<u>(4,390)</u>	<u>23</u>	<u>442,290</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,727)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,727)</u>
1,103	473	(8,155)	(4,390)	23	435,563
<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>28,795</u>	\$ <u>6,378</u>	\$ <u>2,992</u>	\$ <u>22,522</u>	\$ <u>3,371</u>	\$ <u>3,189,842</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, 2022

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Positive (Negative)</u>
Revenues:			
Property taxes	\$ 580,000	\$ 600,000	\$ 20,000
Intergovernmental:			
State sales taxes	902,500	986,154	83,654
State income taxes	710,000	957,645	247,645
Replacement taxes	25,000	60,617	35,617
Utility taxes	405,000	421,251	16,251
Telecommunication taxes	72,500	59,461	(13,039)
Video gaming taxes	40,000	80,407	40,407
Cannabis taxes	5,000	9,518	4,518
Recreation fee	224,450	316,361	91,911
Licenses and permits	141,950	62,809	(79,141)
Fines	-	8,196	8,196
Reimbursements and insurance	120,000	112,142	(7,858)
Miscellaneous	155,541	100,069	(55,472)
Interest	4,725	5,686	961
Intergovernmental	-	424,712	424,712
Total revenues	<u>3,386,666</u>	<u>4,205,028</u>	<u>818,362</u>
Expenditures:			
Current:			
General	449,158	463,585	(14,427)
Public safety	1,382,832	1,409,675	(26,843)
Highway and streets	706,982	666,304	40,678
Culture and recreation	670,115	711,817	(41,702)
Capital outlay	434,700	333,631	101,069
Total expenditures	<u>3,643,787</u>	<u>3,585,012</u>	<u>58,775</u>
Excess (deficiency) of revenues over expenditures	<u>(257,121)</u>	<u>620,016</u>	<u>877,137</u>
Other financing sources (uses):			
Transfers in	15,000	-	(15,000)
Transfers out	-	(6,727)	(6,727)
Total other financing sources (uses)	<u>15,000</u>	<u>(6,727)</u>	<u>(21,727)</u>
Net change in fund balance	\$ <u>(242,121)</u>	613,289	\$ <u>855,410</u>
Fund balance, beginning		<u>2,471,243</u>	
Fund balance, ending		<u>\$ 3,084,532</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, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Interest	\$ <u>250</u>	\$ <u>2,620</u>	\$ <u>2,370</u>
Total revenues	<u>250</u>	<u>2,620</u>	<u>2,370</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>	2,620	\$ <u>2,370</u>
Fund balance, beginning		<u>251,511</u>	
Fund balance, ending		\$ <u>254,131</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, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Motor fuel tax allotments	\$ 175,000	\$ 247,440	\$ 72,440
Interest	-	1,084	1,084
Rebuild Illinois grant	<u>-</u>	<u>79,541</u>	<u>79,541</u>
Total revenues	<u>175,000</u>	<u>328,065</u>	<u>153,065</u>
Expenditures:			
Engineering fees	-	73,086	(73,086)
Maintenance of streets	<u>-</u>	<u>137,872</u>	<u>(137,872)</u>
Total expenditures	<u>-</u>	<u>210,958</u>	<u>(210,958)</u>
Net change in fund balance	\$ <u>175,000</u>	117,107	\$ <u>(57,893)</u>
Fund balance, beginning		<u>374,214</u>	
Fund balance, ending		\$ <u>491,321</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, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ -	\$ <u>273,239</u>	\$ <u>273,239</u>
Total revenues	-	<u>273,239</u>	<u>273,239</u>
Expenditures:			
Administration	-	39,000	39,000
Construction	-	<u>234,249</u>	<u>234,249</u>
Total expenditures	-	<u>273,249</u>	<u>273,249</u>
Net change in fund balance	\$ -	(10)	\$ <u>(10)</u>
Fund balance, beginning		<u>10</u>	
Fund balance, ending		\$ <u>-</u>	

CITY OF HILLSBORO, ILLINOIS

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios Illinois Municipal Retirement Fund April 30, 2022 (Unaudited)

Calendar year ending December 31,	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Pension Liability			
Service Cost	\$ 61,448	\$ 59,669	\$ 68,493
Interest on the Total Pension Liability	674,130	675,276	651,733
Benefit Changes	-	-	-
Difference between Expected and Actual Experience	(396,129)	62,391	405,118
Assumption Changes	-	(28,773)	-
Benefit Payments and Refunds	<u>(766,060)</u>	<u>(804,462)</u>	<u>(787,917)</u>
Net Change in Total Pension Liability	<u>(426,611)</u>	<u>(35,899)</u>	<u>337,427</u>
Total Pension Liability Beginning	<u>9,650,654</u>	<u>9,686,553</u>	<u>9,349,126</u>
Total Pension Liability - Ending (a)	<u>\$ 9,224,043</u>	<u>\$ 9,650,654</u>	<u>\$ 9,686,553</u>
Plan Fiduciary Net Position			
Employer Contributions	\$ 100,873	\$ 313,721	\$ 152,628
Employee Contributions	28,675	28,791	50,478
Pension Plan Net Investment Income	1,885,215	1,418,080	1,637,866
Benefit Payments and Refunds	(766,060)	(804,462)	(787,917)
Other	<u>(474,607)</u>	<u>120,826</u>	<u>90,961</u>
Net Change in Plan Fiduciary Net Position	<u>774,096</u>	<u>1,076,956</u>	<u>1,144,016</u>
Plan Fiduciary Net Position - Beginning	<u>10,225,875</u>	<u>9,148,919</u>	<u>8,004,903</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,999,971</u>	<u>\$ 10,225,875</u>	<u>\$ 9,148,919</u>
Net Pension Liability/(Asset) - Ending (a)-(b)	<u>\$ (1,775,928)</u>	<u>\$ (575,221)</u>	<u>\$ 537,634</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	119.25%	105.96%	94.45%
Covered Valuation Payroll	\$ 637,228	\$ 639,802	\$ 597,576
Net Pension Liability as a Percentage of Covered Valuation Payroll	(278.70)%	89.91%	89.97%

CITY OF HILLSBORO, ILLINOIS

Schedule of Funding Progress April 30, 2022 (Unaudited)

Schedule of Net Position - Police and Firefighters

The latest actuarial report available - May 1, 2021

	<u>Police</u>	<u>Firefighters</u>	<u>Total</u>
Accrued liability	\$ 4,134,500	\$ 2,433,556	\$ 6,568,056
Net position, May 1, 2022	<u>2,880,704</u>	<u>1,329,802</u>	<u>4,210,506</u>
Net pension liability, May 1, 2021	<u>\$ 1,253,796</u>	<u>\$ 1,103,754</u>	<u>\$ 2,357,550</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, 2021	\$ 2,880,704	\$ 4,134,500	\$ 1,253,796	69.67%	\$ 396,136	316.51%
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, 2021	\$ 1,329,802	\$ 2,433,556	\$ 1,103,754	54.64%	\$ 221,416	498.50%
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, 2022

Note 1 - Budget, Appropriation Ordinance and Budgetary Accounting

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

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

The budget and appropriation ordinance was approved on July 30, 2021.

Note 2 - Excess of Expenditures Over Appropriations

For the year ended April 30, 2022, 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	\$ -	\$ 210,958
CDAP Housing Grant Fund	\$ -	\$ 273,249

OTHER INFORMATION

CITY OF HILLSBORO, ILLINOIS

**Combining Balance Sheet
Nonmajor Governmental Funds
April 30, 2022**

	<u>Business District Tax Fund</u>	<u>Tax Increment Financing Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ 960,370	\$ 297,346	\$ 1,257,716
Taxes receivable	<u>54,646</u>	<u>-</u>	<u>54,646</u>
Total assets	\$ <u>1,015,016</u>	\$ <u>297,346</u>	\$ <u>1,312,362</u>
<u>Liabilities</u>			
Accounts payable	\$ <u>24,976</u>	\$ <u>-</u>	\$ <u>24,976</u>
Total liabilities	<u>24,976</u>	<u>-</u>	<u>24,976</u>
<u>Fund Balances</u>			
Restricted	<u>990,040</u>	<u>297,346</u>	<u>1,287,386</u>
Total fund balances	<u>990,040</u>	<u>297,346</u>	<u>1,287,386</u>
Total liabilities and fund balances	\$ <u>1,015,016</u>	\$ <u>297,346</u>	\$ <u>1,312,362</u>

CITY OF HILLSBORO, ILLINOIS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended April 30, 2022**

	<u>Business District Tax Fund</u>	<u>Tax Increment Financing Fund</u>	<u>Total</u>
Revenues:			
Property taxes	\$ -	\$ 221,787	\$ 221,787
Sales taxes	352,551	-	352,551
Investment income	<u>1,130</u>	<u>-</u>	<u>1,130</u>
Total revenues	<u>353,681</u>	<u>221,787</u>	<u>575,468</u>
Expenditures:			
Current:			
General government	77,474	158,231	235,705
Capital outlay	<u>19,055</u>	<u>-</u>	<u>19,055</u>
Total expenditures	<u>96,529</u>	<u>158,231</u>	<u>254,760</u>
Net change in fund balances	257,152	63,556	320,708
Fund balances, beginning	<u>732,888</u>	<u>233,790</u>	<u>966,678</u>
Fund balances, ending	\$ <u>990,040</u>	\$ <u>297,346</u>	\$ <u>1,287,386</u>

CITY OF HILLSBORO, ILLINOIS

**Hillsboro Downtown TIF District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended April 30, 2022**

	<u>Year Ended</u> <u>April 30, 2022</u>	<u>Cumulative</u>
Revenues:		
Property taxes	\$ 221,787	\$ 1,263,713
Interest	<u>-</u>	<u>34</u>
Total revenues	<u>221,787</u>	<u>1,263,747</u>
Expenditures:		
Administration and legal	8,218	80,380
Distribution to taxing bodies	<u>150,013</u>	<u>886,021</u>
Total expenditures	<u>158,231</u>	<u>966,401</u>
Net change in fund balance	63,556	\$ <u>297,346</u>
Fund balance, beginning	<u>233,790</u>	
Fund balance, ending	<u>\$ 297,346</u>	