CITY OF HILLSBORO, ILLINOIS

Annual Financial Report

April 30, 2026

PATTON & COMPANY, P.C.

Certified Public Accountants

CITY OF HILLSBORO, ILLINOIS

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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, 2026, 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, 2026, and the respective changes in financial position, where applicable, cash flows thereof for the year then ended in accordance with accounting principles 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.

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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 required supplementary information, as referred to in the table of contents, 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 affected by the missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2026, 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.

Patton Company, P.C.

September 16, 2026

Hillsboro, Illinois

PATTON & COMPANY, P.C.

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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, 2026, 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 16, 2026.

Report on 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) as a basis for designing 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. 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.

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Hillsboro, IL 62049

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.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the City of Hillsboro, Illinois', response to the findings identified in our audit and 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 16, 2026

Hillsboro, Illinois

BASIC FINANCIAL STATEMENTS

CITY OF HILLSBORO, ILLINOIS

Statement of Net Position
April 30, 2026

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets:			
Cash and cash equivalents	$ 7,323,838	$ 6,370,962	$ 13,694,800
Restricted cash and cash equivalents	-	1,284,190	1,284,190
Investments	6,500,000	-	6,500,000
Receivables (net of allowance for uncollectibles):			
Taxes	1,936,735	-	1,936,735
Notes	6,859	-	6,859
Other	143,343	880,000	1,023,343
Capital assets, not being depreciated	3,247,208	280,656	3,527,864
Capital assets, being depreciated (net of accumulated depreciation)	7,135,273	25,534,188	32,669,461
Total assets	26,293,256	34,349,996	60,643,252
Deferred Outflows of Resources:			
Unamortized loss on refunding	-	175,482	175,482
Deferred amounts related to pensions	511,556	-	511,556
Total assets and deferred outflows of resources	$ 26,804,812	$ 34,525,478	$ 61,330,290

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Net Position
April 30, 2026

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities and Deferred Inflows of Resources			
Current liabilities:			
Accounts payable	$ 618,179	$ 72,108	$ 690,287
Accrued wages	89,900	522	90,422
Accrued interest	-	66,493	66,493
Bonds payable	130,000	485,000	615,000
Compensated absences	10,000	-	10,000
Notes payable	-	10,689,490	10,689,490
Total current liabilities	848,079	11,313,613	12,161,692
Noncurrent liabilities:			
Notes payable	-	1,416,924	1,416,924
Bonds payable	7,726,760	6,220,000	13,946,760
Refundable deposits	-	52,000	52,000
Compensated absences	73,000	-	73,000
Net pension liability - Police and Fire	1,366,628	-	1,366,628
Net pension liability - IMRF	833,247	-	833,247
Total noncurrent liabilities	9,999,635	7,688,924	17,688,559
Total liabilities	10,847,714	19,002,537	29,850,251
Deferred inflows of resources:			
Bond premium	-	244,371	244,371
Subsequent year's property taxes	1,400,000	-	1,400,000
Deferred amounts related to pensions	1,080,873	-	1,080,873
Total deferred inflows of resources	2,480,873	244,371	2,725,244
Total liabilities and deferred inflows of resources	13,328,587	19,246,908	32,575,495
Net Position			
Net investment in capital assets	2,525,721	7,003,430	9,529,151
Restricted for public safety	226,291	-	226,291
Restricted for highways and streets	234,207	-	234,207
Restricted for debt	-	678,604	678,604
Restricted for culture and recreation	1,987,618	-	1,987,618
Restricted for economic development	2,632,106	-	2,632,106
Restricted for general government	282,585	-	282,585
Unrestricted	5,587,697	7,596,536	13,184,233
Total net position	$ 13,476,225	$ 15,278,570	$ 28,754,795

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Activities
Year Ended April 30, 2026

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business - Type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 1,541,556	$ 174,184	$ 50,000	$ 91,739	$ (1,225,633)	$ -	$ (1,225,633)
Public safety	2,414,723	64,552	14,400	-	(2,335,771)	-	(2,335,771)
Streets and roads	1,582,792	-	60,677	-	(1,522,115)	-	(1,522,115)
Culture and recreation	1,498,729	548,177	10,000	152,490	(788,062)	-	(788,062)
Interest on long term debt	233,732	-	-	-	(233,732)	-	(233,732)
Total governmental activities	7,271,532	786,913	135,077	244,229	(6,105,313)	-	(6,105,313)
Business-type activities:							
Water	2,459,280	3,252,497	-	-	-	793,217	793,217
Sewer	1,229,438	2,360,539	-	-	-	1,131,101	1,131,101
Total business-type activities	3,688,718	5,613,036	-	-	-	1,924,318	1,924,318
Total primary government	$ 10,960,250	$ 6,399,949	$ 135,077	$ 244,229	(6,105,313)	1,924,318	(4,180,995)
General revenues:							
Video gaming tax					89,778	-	89,778
Motor fuel tax					270,721	-	270,721
Property and replacement taxes					1,083,474	-	1,083,474
Income tax					1,080,076	-	1,080,076
Sales tax					2,101,206	-	2,101,206
Fire tax					14,428	-	14,428
Utility and telecommunication taxes					469,960	-	469,960
Cannabis tax					8,871	-	8,871
Investment income					477,453	179,340	656,793
Miscellaneous					380,597	-	380,597
Total general revenue and transfers					5,976,564	179,340	6,155,904
Change in net position					(128,749)	2,103,658	1,974,909
Net position, beginning of year					13,604,974	13,174,912	26,779,886
Net position, end of year					$ 13,476,225	$ 15,278,570	$ 28,754,795

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Balance Sheet
Governmental Funds
Year Ended April 30, 2026

	General Fund	Business District Tax Fund	Motor Fuel Tax Fund	Other Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	$ 5,276,197	$ 769,767	$ 217,284	$ 1,060,590	$ 7,323,838
Investments	5,500,000	1,000,000	-	-	6,500,000
Receivables:					
Taxes	1,851,127	63,821	21,787	-	1,936,735
Notes	-	-	-	6,859	6,859
Accounts	106,557	-	7,609	-	114,166
Interest	20,051	9,126	-	-	29,177
Total assets	$ 12,753,932	$ 1,842,714	$ 246,680	$ 1,067,449	$ 15,910,775
Liabilities and Deferred Inflows of Resources					
Accounts payable	$ 540,031	$ 64,975	$ 12,473	$ 700	$ 618,179
Accrued wages	89,900	-	-	-	89,900
Total liabilities	629,931	64,975	12,473	700	708,079
Subsequent year's property taxes	1,400,000	-	-	-	1,400,000
Total deferred inflows of resources	1,400,000	-	-	-	1,400,000
Total liabilities and deferred inflows of resources	2,029,931	64,975	12,473	700	2,108,079
Fund Balances					
Restricted	-	1,777,739	234,207	1,066,749	3,078,695
Committed	2,284,112	-	-	-	2,284,112
Unassigned	8,439,889	-	-	-	8,439,889
Total fund balances	10,724,001	1,777,739	234,207	1,066,749	13,802,696
Total liabilities and fund balances	$ 12,753,932	$ 1,842,714	$ 246,680	$ 1,067,449	$ 15,910,775

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities on the Statement of Net Position
Year Ended April 30, 2026

Fund balances of the governmental funds	$	13,802,696
Capital assets used in governmental activities of $25,553,192, net of accumulated depreciation of $15,170,711, are not financial resources and; therefore, are not reported in the governmental funds		10,382,481
Deferred outflows of resources are not current financial resources and; therefore, are not reported in the funds		511,556
Deferred inflows of resources are not current financial resources and; therefore, are not reported in the funds		(1,080,873)
Certain liabilities and deferred inflows of resources are not due and payable in the current period and; therefore, are not reported in the funds		
General obligations bond payable		(7,856,760)
Net pension asset - IMRF		(833,247)
Compensated absences		(83,000)
Net pension liability - Police and Fire		(1,366,628)
Net position of governmental activities	$	13,476,225

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended April 30, 2026

	General Fund	Business District Tax Fund	Motor Fuel Tax Fund	Other Nonmajor Governmental Funds	Total
Revenues:					
Taxes	$ 4,078,796	$ 417,713	$ 270,721	$ 351,284	$ 5,118,514
Intergovernmental	346,956	-	32,350	-	379,306
Charges for services	579,002	-	-	-	579,002
Fines	33,727	-	-	-	33,727
Licenses and permits	174,184	-	-	-	174,184
Investment income	381,790	59,157	5,422	31,084	477,453
Reimbursements and miscellaneous	342,800	38,822	-	325	381,947
Total revenues	5,937,255	515,692	308,493	382,693	7,144,133
Expenditures:					
Current:					
General government	459,776	343,202	-	223,173	1,026,151
Public safety	1,794,082	-	-	-	1,794,082
Streets and roads	839,850	-	181,424	-	1,021,274
Culture and recreation	997,324	-	-	-	997,324
Debt service:					
Principal	295,000	-	-	-	295,000
Interest	233,732	-	-	-	233,732
Capital outlay	2,070,937	158,720	96,392	-	2,326,049
Total expenditures	6,690,701	501,922	277,816	223,173	7,693,612
Excess (deficiency) of revenues over expenditures	(753,446)	13,770	30,677	159,520	(549,479)
Other financing sources (uses):					
From borrowing	8,151,760	-	-	-	8,151,760
Total other financing sources (uses)	8,151,760	-	-	-	8,151,760
Net change in fund balances	7,398,314	13,770	30,677	159,520	7,602,281
Fund balances, beginning	3,325,687	1,763,969	203,530	907,229	6,200,415
Fund balances, ending	$ 10,724,001	$ 1,777,739	$ 234,207	$ 1,066,749	$ 13,802,696

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Governmental Activities in the Statement of Activities
Year Ended April 30, 2026

Net change in fund balances - total governmental funds	$	7,602,281
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		2,324,699
Depreciation expense		(524,303)
Proceeds from the issuance of long-term obligations provide current financial resources to governmental funds and increase long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the government funds but the current year principal repayment reduces long-term liabilities in the Statement of Net Position.		
Proceeds from bonds and notes payable		(8,151,760)
Repayments of bonds and notes payable		295,000
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		(7,000)
Pension benefits		(1,667,666)
Change in net position of governmental activities	$	(128,749)

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Net Position
Proprietary Funds
April 30, 2026

	Business-Type Activities - Enterprise Funds		
Assets	Waterworks Fund	Sewerage Fund	Total
Current assets:			
Cash and cash equivalents	$ 3,424,105	$ 2,946,857	$ 6,370,962
Restricted cash and cash equivalents	1,284,190	-	1,284,190
Accounts receivable (net of allowance for uncollectibles)	450,000	430,000	880,000
Total current assets	5,158,295	3,376,857	8,535,152
Noncurrent assets:			
Capital assets not being depreciated	110,406	170,250	280,656
Capital assets, net of accumulated depreciation	11,017,679	14,516,509	25,534,188
Total noncurrent assets	11,128,085	14,686,759	25,814,844
Total assets	16,286,380	18,063,616	34,349,996
Deferred Outflows of Resources			
Loss on refinancing of bonds	175,482	-	175,482
Total assets and deferred outflows of resources	16,461,862	18,063,616	34,525,478
Liabilities and Net Position			
Current liabilities:			
Accounts payable	53,028	19,080	72,108
Accrued wages	261	261	522
Accrued interest	36,993	29,500	66,493
Bonds payable	360,000	125,000	485,000
Notes payable	-	10,689,490	10,689,490
Total current liabilities	450,282	10,863,331	11,313,613
Noncurrent liabilities:			
Bonds payable	3,985,000	2,235,000	6,220,000
Refundable deposits	52,000	-	52,000
Notes payable	1,416,924	-	1,416,924
Total noncurrent liabilities	5,453,924	2,235,000	7,688,924
Total liabilities	5,904,206	13,098,331	19,002,537
Deferred Inflows of Resources			
Gain on refinancing of bonds	-	244,371	244,371
Total liabilities and deferred inflows of resources	5,904,206	13,342,702	19,246,908
Net position:			
Net investment in capital assets	5,366,161	1,637,269	7,003,430
Restricted for debt	678,604	-	678,604
Unrestricted	4,512,891	3,083,645	7,596,536
Total net position	$ 10,557,656	$ 4,720,914	$ 15,278,570

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, 2026

	Business-Type Activities - Enterprise Funds		
	Waterworks Fund	Sewerage Fund	Total
Operating revenues:			
Charges for service	$ 3,043,856	$ 2,207,482	$ 5,251,338
Other	208,641	153,057	361,698
Total operating revenues	3,252,497	2,360,539	5,613,036
Operating expenses:			
Salaries	40,555	40,271	80,826
Payroll taxes and pension	5,058	5,036	10,094
Testing	-	18,000	18,000
Insurance	51,111	27,806	78,917
Administration	4,084	3,735	7,819
Utilities	118,876	124,992	243,868
Chemicals and materials	10,694	25,878	36,572
Repairs and maintenance	370,380	45,285	415,665
Miscellaneous	35,972	15,666	51,638
Professional fees	1,366,233	581,473	1,947,706
Depreciation	347,315	106,532	453,847
Total operating expenses	2,350,278	994,674	3,344,952
Operating income (loss)	902,219	1,365,865	2,268,084
Nonoperating revenues (expenses):			
Interest on investments	129,836	49,504	179,340
Interest and fees on bonds	(109,002)	(234,764)	(343,766)
Total nonoperating revenues (expenses)	20,834	(185,260)	(164,426)
Net income (loss) before transfers	923,053	1,180,605	2,103,658
Transfers in, net	572,400	469,997	1,042,397
Transfers out, net	(575,730)	(466,667)	(1,042,397)
Total transfers	(3,330)	3,330	-
Change in net position	919,723	1,183,935	2,103,658
Net position, beginning	9,637,933	3,536,979	13,174,912
Net position, ending	$ 10,557,656	$ 4,720,914	$ 15,278,570

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Cash Flows
Proprietary Funds
Year Ended April 30, 2026

	Business-Type Activities - Enterprise Funds		
	Waterworks Fund	Sewerage Fund	Total
Cash flows from operating activities:			
Receipts from customers	$ 3,360,497	$ 2,365,539	$ 5,726,036
Payments to suppliers	(2,045,323)	(843,665)	(2,888,988)
Payments to employees	(47,160)	(46,854)	(94,014)
Net cash provided by (used for) operating activities	1,268,014	1,475,020	2,743,034
Cash flows from noncapital financing activities:			
Transfers from (to) other funds	(3,330)	3,330	-
Due to (from) other funds	(8,222)	8,222	-
Net cash provided by (used for) noncapital financing activities	(11,552)	11,552	-
Cash flows from capital and related financing activities:			
Proceeds from issuance of debt	728,048	10,689,490	11,417,538
Principal paid on capital debt	(355,000)	(125,000)	(480,000)
Interest and fees paid on capital debt	(92,932)	(251,599)	(344,531)
Purchase of capital assets	(911,832)	(10,217,233)	(11,129,065)
Net cash provided by (used for) capital and related financing activities	(631,716)	95,658	(536,058)
Cash flows from investing activities:			
Interest	129,836	49,504	179,340
Net cash provided by (used for) investing activities	129,836	49,504	179,340
Change in cash and cash equivalents	754,582	1,631,734	2,386,316
Cash and cash equivalents, beginning	3,953,713	1,315,123	5,268,836
Cash and cash equivalents, ending	$ 4,708,295	$ 2,946,857	$ 7,655,152
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 902,219	$ 1,365,865	$ 2,268,084
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	347,315	106,532	453,847
Change in assets and liabilities:			
Decrease (increase) in receivables	110,000	5,000	115,000
Increase (decrease) in payables	(91,520)	(2,377)	(93,897)
Net cash provided by operating activities	$ 1,268,014	$ 1,475,020	$ 2,743,034

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Fiduciary Net Position
Fiduciary Funds - Pension Trust Fund
April 30, 2026

	Firefighters Pension	Police Pension	Total
Assets			
Cash	$ 16,956	$ 17,960	$ 34,916
Investments, at fair value:			
Illinois police officers' pension investment fund	-	4,153,556	4,153,556
Illinois firefighters' pension investment fund	1,656,552	-	1,656,552
Total investments at fair value	1,656,552	4,153,556	5,810,108
Prepaids	-	-	-
Total assets	$ 1,673,508	$ 4,171,516	$ 5,845,024
Liabilities			
Expenses due/unpaid	$ 1,387	$ 1,422	$ 2,809
Net Position			
Net position held in trust	1,672,121	4,170,094	5,842,215
Total liabilities and net position	$ 1,673,508	$ 4,171,516	$ 5,845,024

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Pension Trust Funds
April 30, 2026

	Firefighters Pension	Police Pension	Total
Additions:			
Contributions:			
Employer	$ 139,426	$ 213,176	$ 352,602
Plan members	23,654	51,342	74,996
Total contributions	163,080	264,518	427,598
Investment income:			
Interest and dividends	32,195	19,897	52,092
Net change in fair value	255,466	755,867	1,011,333
Total investment income	287,661	775,764	1,063,425
Less investment expense	(3,896)	(4,254)	(8,150)
Net investment income	283,765	771,510	1,055,275
Total additions	446,845	1,036,028	1,482,873
Deductions:			
Benefits payments and refunds	195,411	199,205	394,616
Administration	20,289	20,809	41,098
Total deductions	215,700	220,014	435,714
Increase (decrease) in net position	231,145	816,014	1,047,159
Net position, beginning of year	1,440,976	3,354,080	4,795,056
Net position, end of year	$ 1,672,121	$ 4,170,094	$ 5,842,215

See notes to the financial statements.

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 Business District Tax Fund accounts for taxes collected and expenditures disbursed per restrictions of the Business District.

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

Proprietary Funds

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

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

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

Note 1 - Summary of Significant Accounting Policies, continued

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 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:

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.

Firefighters' 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.

Note 1 - Summary of Significant Accounting Policies, continued

Basis of Accounting

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

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

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

1.D. - Assets, Liabilities, and Equity

Cash and Cash Equivalents

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

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, net of any allowance for uncollectible accounts, as its major receivables. The allowance amount is estimated using historical experience.

Notes Receivable

The City has total notes receivable of $6,859 at April 30, 2026, comprised of individual notes from various local businesses. The receivables are from a revolving loan account maintained by the City. Payments are being made monthly.

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

Inventories

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

Capital Assets

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

Note 1 - Summary of Significant Accounting Policies, continued

Government-Wide Statements

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

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

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

Fund Financial Statements

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

Long-Term Debt

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

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

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.

Note 1 - Summary of Significant Accounting Policies, continued

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

Fund Financial Statements - Fund Balance Classifications

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

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

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

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

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.

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.

Note 1 - Summary of Significant Accounting Policies, continued

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.

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 original budget and appropriation ordinance was approved on May 20, 2025, the amended budget and appropriation ordinance was approved on November 18, 2025, and the tax levy was passed by the Board on December 16, 2025. 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 2024 levy was based totaled $63,235,142.

Note 1 - Summary of Significant Accounting Policies, continued

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

	Maximum 2024 Levy	2024 Actual
General corporate	0.25000	0.23024
Fire protection	0.07500	0.06908
Police protection	0.07500	0.06908
Audit	as needed	0.04270
Social security	as needed	0.21349
Liability insurance	as needed	0.12019
Unemployment	as needed	0.01898
Workers' compensation	as needed	0.09489
IMRF	as needed	0.09647
Fire Pension	as needed	0.21824
Police Pension	as needed	0.33368
		1.50704

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 2024 tax year. Property taxes for the 2025 levy are payable in 2026 and intended to finance the 2027 fiscal year and are not considered available for current operations and are, therefore, shown as deferred inflows of resources.

1.I. - Compensated Absences

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

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.

Note 2 - Stewardship, Compliance, and Accountability, continued

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 $21,478,915 and the bank balance was $21,557,334. Of this balance, $750,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and $20,807,334 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.

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, 2026, the City's deposits were as follows:

Governmental Activities	$ 13,823,763
Business-Type Activities	7,655,152
Total	$ 21,478,915

Fiduciary Funds

At April 30, 2026, the carrying amount of the Firefighters' Pension Fund and Police Pension Fund deposits totaled $5,845,024. 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.

2.B. - Common Bank Account

The General Fund operating checking account writes checks for all funds and the separate bank accounts for the other funds will reimburse the General Fund.

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, 2026, was as follows:

	Balance May 1, 2025	Additions	Deductions	Balance April 30, 2026
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 3,247,208	$ -	$ -	$ 3,247,208
Total capital assets not being depreciated	3,247,208	-	-	3,247,208
Other capital assets:				
Buildings	2,822,741	32,757	-	2,855,498
Machinery and equipment	5,302,832	202,487	88,103	5,417,216
Infrastructure	11,942,465	2,090,805	-	14,033,270
Total other capital assets as historical cost	20,068,038	2,326,049	88,103	22,305,984
Less accumulated depreciation for:				
Buildings	1,752,857	66,257	-	1,819,114
Machinery and equipment	3,952,245	327,356	86,753	4,192,848
Infrastructure	9,028,059	130,690	-	9,158,749
Total accumulated depreciation	14,733,161	524,303	86,753	15,170,711
Other capital assets, net	5,334,877	1,801,746	1,350	7,135,273
Governmental activities capital assets, net	$ 8,582,085	$ 1,801,746	$ 1,350	$ 10,382,481

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

Governmental activities:	
General government	$ 91,488
Public safety	203,724
Streets and roads	144,602
Culture and recreation	84,489
	$ 524,303

Note 3 - Detail Notes, continued

	Balance May 1, 2025	Additions	Deductions	Balance April 30, 2026
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 268,656	$ 12,000	$ -	$ 280,656
Other capital assets:				
Water and sewer capital assets	35,136,086	11,117,065	-	46,253,151
Total other capital assets at historical cost	35,136,086	11,117,065	-	46,253,151
Less accumulated depreciation for:				
Water and sewer capital assets	20,265,116	453,847	-	20,718,963
Total accumulated depreciation	20,265,116	453,847	-	20,718,963
Other capital assets, net	14,870,970	10,663,218	-	25,534,188
Business-type activities capital assets, net	$ 15,139,626	$ 10,675,218	$ -	$ 25,814,844

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

Business-Type Activities:	
Waterworks Fund	$ 347,315
Sewerage Fund	106,532
Total depreciation expense for business-type activities	$ 453,847

3.B. - Summary of Interfund Balances and Transfers

Transfers as of April 30, 2026:

	Transfers In	Transfers Out
Sewerage Fund	$ 3,330	$ -
Waterworks Fund	-	3,330
	$ 3,330	$ 3,330

The transfers were used for loan payments.

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.

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
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2025, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	49
Inactive Plan Members entitled to but not yet receiving benefits	6
Active Plan Members	16
Total	71

Note 4 - Pension Plan - IMRF, continued

Contributions

As set by statute, the City's Regular Plan Members are required to contribute 4.50% 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 2025 was 5.05%. For the fiscal year ended April 30, 2026, the City contributed $36,490 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, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2025.

Actuarial Cost Method	Entry Age Method
Asset Valuation Method	Market Value of Assets
Price Inflation	2.25%
Salary Increases	2.85% to 13.75%, including inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2023 valuation pursuant to an experience study of the period 2020-2022.
Mortality	For non-disabled retirees, the Pub-2010, Amount Weighted, below-median income, General, Retiree, Male (adjusted 108%) and Female (adjusted 106.4%) 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-2021. 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-2021.
Other Information:	
Notes	There were no benefit changes during the year.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2025, Illinois Municipal Retirement Fund annual actuarial valuation report.

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 weighing 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:

			Projected Returns/Risk	
Asset Class	Target Allocation	Return 12/31/2025	One Year Arithmetic	Ten Year Geometric
Equities	32.50 %	14.44 %	4.85 %	7.35 %
International Equities	18.00 %	32.71 %	4.95 %	7.45 %
Fixed Income	24.00 %	7.50 %	2.25 %	4.75 %
Real Estate	10.50 %	2.33 %	3.75 %	6.25 %
Alternatives	14.00 %	15.24 %		
Private Equity		N/A	6.00 %	8.50 %
Hedge Funds		N/A	N/A	N/A
Commodities		N/A	1.40 %	3.90 %
Cash Equivalents	1.00 %	4.35 %	0.50 %	3.00 %

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 4.08%, and the resulting single discount rate is 7.25%.

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, 2024	$ 8,863,121	$ 8,922,138	$ (59,017)
Change for the year:			
Service Cost	73,906	-	73,906
Interest on the Total Pension Liability	619,428	-	619,428
Differences Between Expected and Actual Experience of the Total Pension Liability	(34,180)	-	(34,180)
Changes of Assumptions	-	-	-
Contributions - Employer	-	34,695	(34,695)
Contributions - Employees	-	32,391	(32,391)
Net Investment Income	-	1,493,291	(1,493,291)
Benefit Payments, including Refunds of Employee Contributions	(712,472)	(712,472)	-
Other (Net Transfer)	-	(126,993)	126,993
Net Changes	(53,318)	720,912	(774,230)
Balance at December 31, 2025	$ 8,809,803	$ 9,643,050	$ (833,247)

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 6.25%	Current Discount 7.25%	1% Higher 8.25%
Net Pension Liability	$ 3,780	$ (833,247)	$ (1,537,836)

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

For the year ended April 30, 2026, the City recognized pension expense of $36,490. At April 30, 2026, the City recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Difference between expected and actual experience	$ -	$ 31,975
Changes in Assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	484,760	1,048,898
Total Deferred Amounts to be recognized in pension expense in future periods	484,760	1,080,873
Pension Contribution made subsequent to the Measurement Date	26,796	-
Total Deferred Amounts Related to Pensions	$ 511,556	$ 1,080,873

Note 4 - Pension Plan - IMRF, continued

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

Year Ending December 31	Net Deferred Outflows of Resources
2026	$ 136,894
2027	(319,021)
2028	(239,099)
2029	(174,887)
2030	-
Total	$ (596,113)

Note 5 - Long-Term Debt

Compensated Absences

	Balance May 1, 2025	Additions	Reductions	Balance April 30, 2026	Current Portion
Compensated absences	$ 76,000	$ 7,000	$ -	$ 83,000	$ 10,000

Governmental Activities

The following is a summary of changes in long-term debt for the year ended April 30, 2026:

	Balance May 1, 2025	Additions	Reductions	Balance April 30, 2026	Current Portion
Taxable General Obligation Bonds (Alternative Revenue Source) Series 2025. Original issuance $8,325,000 due December 2054.	$ -	$ 8,151,760	$ 295,000	$ 7,856,760	$ 130,000

The final payment terms have not been set as the project is still in progress. There is no official amortization schedule set at this time.

Note 5 - Long-Term, continued

Business-Type Activities

	Balance May 1, 2025	Additions	Reductions	Balance April 30, 2026	Current Portion
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).	$ 4,700,000	$ -	$ 355,000	$ 4,345,000	$ 360,000
General Obligation Bonds (Alternative Revenue Source) Sewerage Bonds of 2021 3.0% (original issuance $2,835,000 due December 1, 2040).	2,485,000	-	125,000	2,360,000	125,000
	7,185,000	-	480,000	6,705,000	485,000
Notes Payable					
IL EPA Loan L174223- LEAD Service Lines started 10/12/2024 - no payment schedule due to project in progress.	688,876	157,034	-	845,910	-
IL EPA Loan L177096- LEAD Service Lines started 11/01/2024 - no payment schedule due to project in progress.	-	571,014	-	571,014	-
Co Bank #01-005134547- short- term financing for wastewater treatment plant	-	10,689,490	-	10,689,490	10,689,490
subtotal	688,876	11,417,538	-	12,106,414	10,689,490
	$ 7,873,876	$ 11,417,538	$ 480,000	$ 18,811,414	$ 11,174,490

Note 5 - Long-Term Debt, continued

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt bonds with interest rates applicable at April 30, 2026, are as follows:

	Principal	Interest
2027	$ 485,000	$ 159,582
2028	495,000	151,692
2029	510,000	143,047
2030	515,000	133,185
2031	530,000	122,452
2032-2036	2,820,000	416,427
2037-2041	1,350,000	95,042
	$ 6,705,000	$ 1,221,427

At this time there are no set payment schedules for either IL-EPA Loans.

The Co-Bank Loan was obtained for short-term financing for the wastewater plant construction until the final Rural Development loan is obtained. Interest rate values and interest payments are being paid each month.

Gains and Losses on Refunding

On June 24, 2021, bonds in the Water and Sewer Funds were refinanced. This refunding resulted in a gain in the Sewer Fund and a loss in the Water Fund. These gains and losses are being amortized over the next 20 years. The amount amortized in the Water Fund each year is $17,547 and the Sewer Fund is $15,273.

	Water Fund	Sewer Fund
Balance, May 1, 2025	$ 193,031	$ 259,644
Current year amortization	17,549	15,273
Balance, April 30, 2026	$ 175,482	$ 244,371

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 pension trust fund.

Plan membership as of April 30, 2026, consisted of the following:

Retirees and beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not currently receiving benefits	2
Active plan members	9
Total	16

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.

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 2022 fiscal year.

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

Note 6 - Defined Benefit Pension Plans, continued

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.

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 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms - At April 30, 2026, Firefighters' Pension Plan membership consisted of:

Active members	5
Retirees and beneficiaries	4
Inactive, non-retired members	6
Total	15

Contributions

As set by statute, covered employees are required to contribute 9.455% 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 many 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 2022 fiscal year.

Note 6 - Defined Benefit Pension Plans, continued

Vesting

Less than 10 years: Refund of Member contributions.
10 or more years: Either the termination benefit, payable upon reaching age 60, provided contributions are not withdrawn,

Funding Status and Progress - as of May 1, 2025

	Police	Firefighters
Accrued liability	$ 4,458,602	$ 1,893,361
Actuarial value of assets	3,485,154	1,500,181
Unfunded liability	$ 973,448	$ 393,180
Funded ratio	78.1 %	79.2 %

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:

	Revenues	Expenditures	Fund Balance
Budgetary basis	$ 5,834,841	$ 6,467,835	$ 10,776,197
Receivables			
April 30, 2026	577,735	-	577,735
April 30, 2025	(475,321)	-	-
Payables			
April 30, 2026	-	629,931	(629,931)
April 30, 2025	-	(407,065)	-
	$ 5,937,255	$ 6,690,701	$ 10,724,001

Note 8 - Legal Debt Margin

Assessed valuation - 2024 tax year	$ 63,235,142
Statutory debt limitation	0.08625
	5,454,031
Less any general obligation debt	-
Legal debt margin	$ 5,454,031

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 districts:

Name	Year Created	District Area
Hillsboro Downtown TIF	9/10/2013	Hillsboro Downtown
Hillsboro TIF District II	10/7/2025	Central Park, Sports Complex, Campground, and Old Eagle Zinc Property

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.

The City issued General Obligations in May 2025 for construction of the new pool. While proceeds have been received this year, the pool is still being constructed.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HILLSBORO, ILLINOIS

Balance Sheet
General Fund
April 30, 2026

	General Account	Fire Subscription Account	Youth Sports Account	Lake Lot Deposit Account	School Resource D.A.R.E. Account	DUI Equipment Account	Police Department Rural Account	Police Vehicle Account	Total
Assets									
Cash and cash equivalents	$ 4,907,332	$ 142,968	$ 107,213	$ 35,361	$ 6,093	$ 11,911	$ 61,850	$ 3,469	$ 5,276,197
Investments	5,500,000	-	-	-	-	-	-	-	5,500,000
Receivables:									
Taxes	1,851,127	-	-	-	-	-	-	-	1,851,127
Accounts	106,557	-	-	-	-	-	-	-	106,557
Interest	20,051	-	-	-	-	-	-	-	20,051
Total assets	$ 12,385,067	$ 142,968	$ 107,213	$ 35,361	$ 6,093	$ 11,911	$ 61,850	$ 3,469	$ 12,753,932
Liabilities and Deferred Inflows of Resources									
Liabilities:									
Accounts payable	$ 535,959	$ -	$ 4,072	$ -	$ -	$ -	$ -	$ -	$ 540,031
Accrued wages	89,900	-	-	-	-	-	-	-	89,900
Total liabilities	625,859	-	4,072	-	-	-	-	-	629,931
Deferred inflows of resources:									
Subsequent year's property taxes	1,400,000	-	-	-	-	-	-	-	1,400,000
Total deferred inflows of resources	1,400,000	-	-	-	-	-	-	-	1,400,000
Total liabilities and deferred inflows of resources	2,025,859	-	4,072	-	-	-	-	-	2,029,931
Fund Balances									
Committed	1,919,319	142,968	103,141	35,361	6,093	11,911	61,850	3,469	2,284,112
Unassigned	8,439,889	-	-	-	-	-	-	-	8,439,889
Total fund balances	10,359,208	142,968	103,141	35,361	6,093	11,911	61,850	3,469	10,724,001
Total liabilities and fund balances	$ 12,385,067	$ 142,968	$ 107,213	$ 35,361	$ 6,093	$ 11,911	$ 61,850	$ 3,469	$ 12,753,932

CITY OF HILLSBORO, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Year Ended April 30, 2026

	General Account	Fire Subscription Account	Youth Sports Account	Lake Lot Deposit Account	School Resource D.A.R.E. Account	DUI Equipment Account	Police Department Rural Account	Police Vehicle Account	Total
Revenues:									
Taxes	$ 4,064,368	$ 14,428	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,078,796
Intergovernmental	322,556	-	10,000	-	-	-	14,400	-	346,956
Charges for services	406,950	30,825	141,227	-	-	-	-	-	579,002
Fines	30,585	-	-	-	225	2,895	-	22	33,727
License and permits	174,184	-	-	-	-	-	-	-	174,184
Investment income	372,473	3,682	2,735	1,057	-	224	1,616	3	381,790
Reimbursements and miscellaneous	335,200	-	7,000	600	-	-	-	-	342,800
Total revenues	5,706,316	48,935	160,962	1,657	225	3,119	16,016	25	5,937,255
Expenditures:									
Current									
General	459,776	-	-	-	-	-	-	-	459,776
Public safety	1,792,621	-	-	-	611	-	850	-	1,794,082
Highway and streets	839,850	-	-	-	-	-	-	-	839,850
Culture and recreation	879,146	-	118,178	-	-	-	-	-	997,324
Debt service									
Principal	295,000	-	-	-	-	-	-	-	295,000
Interest	233,732	-	-	-	-	-	-	-	233,732
Capital outlay	2,045,242	-	25,695	-	-	-	-	-	2,070,937
Total expenditures	6,545,367	-	143,873	-	611	-	850	-	6,690,701
Excess (deficiency) of revenues over expenditures	(839,051)	48,935	17,089	1,657	(386)	3,119	15,166	25	(753,446)
Other Financing Sources (Uses):									
From borrowing	8,151,760	-	-	-	-	-	-	-	8,151,760
Total other financing sources (uses)	8,151,760	-	-	-	-	-	-	-	8,151,760
Net change in fund balances	7,312,709	48,935	17,089	1,657	(386)	3,119	15,166	25	7,398,314
Fund balances, beginning	3,046,499	94,033	86,052	33,704	6,479	8,792	46,684	3,444	3,325,687
Fund balances, ending	$ 10,359,208	$ 142,968	$ 103,141	$ 35,361	$ 6,093	$ 11,911	$ 61,850	$ 3,469	$ 10,724,001

CITY OF HILLSBORO, ILLINOIS

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
(Non-GAAP) Budget and Actual
April 30, 2026

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	$ 660,000	$ 660,000	$ 702,919	$ 42,919
Intergovernmental:				
State sales taxes	1,535,000	1,535,000	1,683,493	148,493
State income taxes	980,000	980,000	1,080,076	100,076
Replacement taxes	35,000	35,000	29,271	(5,729)
Utility taxes	380,000	380,000	419,408	39,408
Telecommunication taxes	52,000	52,000	50,552	(1,448)
Video gaming taxes	85,000	85,000	89,778	4,778
Cannabis taxes	9,000	9,000	8,871	(129)
Recreation fee	294,445	294,445	406,950	112,505
Licenses and permits	124,900	161,900	174,184	12,284
Fines	27,620	27,620	30,585	2,965
Reimbursements and insurance	25,000	25,000	155,032	130,032
Miscellaneous	131,775	206,775	180,168	(26,607)
Interest	142,000	167,000	372,473	205,473
Intergovernmental	-	-	322,556	322,556
Total revenues	4,481,740	4,618,740	5,706,316	1,087,576
Expenditures:				
General	449,131	473,331	459,776	13,555
Public safety	1,781,949	1,826,650	1,792,621	34,029
Highway and streets	903,884	876,947	839,850	37,097
Culture and recreation	826,561	1,003,256	879,146	124,110
Debt service:				
Principal	295,000	295,000	295,000	-
Interest	235,000	235,000	233,732	1,268
Capital outlay	8,136,500	8,176,500	2,045,242	6,131,258
Total expenditures	12,628,025	12,886,684	6,545,367	6,341,317
Excess (deficiency) of revenues over expenditures	(8,146,285)	(8,267,944)	(839,051)	7,428,893
Other financing sources (uses):				
Bond proceeds	8,100,000	8,151,176	8,151,760	584
Transfers in	-	65,000	-	(65,000)
Total other financing sources (uses)	8,100,000	8,216,176	8,151,760	(64,416)
Net change in fund balance	$ (46,285)	$ (51,768)	7,312,709	$ 7,364,477
Fund balance, beginning			3,046,499	
Fund balance, ending			$ 10,359,208	

CITY OF HILLSBORO, ILLINOIS

Business District Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
(Non-GAAP) Budget and Actual
April 30, 2026

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Sales taxes	$ 380,000	$ 380,000	$ 417,713	$ 37,713
Interest	35,000	35,000	59,157	24,157
Miscellaneous	-	-	38,822	38,822
Total revenues	415,000	415,000	515,692	100,692
Expenditures:				
General government	694,643	694,643	343,202	351,441
Capital outlay	-	-	158,720	(158,720)
Total expenditures	694,643	694,643	501,922	192,721
Net change in fund balance	$ (279,643)	$ (279,643)	13,770	$ 293,413
Fund balance, beginning			1,763,969	
Fund balance, ending			$ 1,777,739	

CITY OF HILLSBORO, ILLINOIS

Motor Fuel Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
(Non-GAAP) Budget and Actual
April 30, 2026

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Motor fuel tax allotments	$ 275,000	$ 275,000	$ 270,721	$ (4,279)
Interest	6,000	6,000	5,422	(578)
Intergovernmental	-	-	32,350	32,350
Total revenues	281,000	281,000	308,493	27,493
Expenditures:				
Engineering fees	30,000	30,000	15,593	14,407
Maintenance of streets	362,000	362,000	165,831	196,169
Capital outlay	-	-	96,392	(96,392)
Total expenditures	392,000	392,000	277,816	114,184
Net change in fund balance	$ (111,000)	$ (111,000)	30,677	$ 141,677
Fund balance, beginning			203,530	
Fund balance, ending			$ 234,207	

CITY OF HILLSBORO, ILLINOIS

Notes to Required Supplementary Information
April 30, 2026

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 May 20, 2025.

Note 2 - Excess of Expenditures Over Appropriations

For the year ended April 30, 2026, expenditures exceeded appropriations at the legal level of control in the individual fund as follows:

None.

CITY OF HILLSBORO, ILLINOIS

Multiyear Schedule of Changes
in Net Pension Liability and Related Ratios
Illinois Municipal Retirement Fund
April 30, 2026
(Unaudited)

Calendar year ending December 31,	2025	2024	2023	2022	2021
Total Pension Liability					
Service Cost	$ 73,906	$ 69,885	$ 75,190	$ 69,107	$ 61,448
Interest on the Total Pension Liability	619,428	631,818	627,569	645,284	674,130
Benefit Changes	-	-	-	-	-
Difference between Expected and Actual Experience	(34,180)	(157,145)	84,687	(251,065)	(396,129)
Assumption Changes	-	-	(12,373)	-	-
Benefit Payments and Refunds	(712,472)	(722,462)	(705,168)	(716,249)	(766,060)
Net Change in Total Pension Liability	(53,318)	(177,904)	69,905	(252,923)	(426,611)
Total Pension Liability - Beginning	8,863,121	9,041,025	8,971,120	9,224,043	9,650,654
Total Pension Liability - Ending (a)	$ 8,809,803	$ 8,863,121	$ 9,041,025	$ 8,971,120	$ 9,224,043
Plan Fiduciary Net Position					
Employer Contributions	$ 34,695	$ 38,404	$ 7,887	$ 61,321	$ 100,873
Employee Contributions	32,391	34,221	31,971	31,608	28,675
Pension Plan Net Investment Income	1,493,291	937,180	988,038	(1,659,513)	1,885,215
Benefit Payments and Refunds	(712,472)	(722,462)	(705,168)	(716,249)	(766,060)
Other	(126,993)	(376,885)	264,431	(292,617)	(474,607)
Net Change in Plan Fiduciary Net Position	720,912	(89,542)	587,159	(2,575,450)	774,096
Plan Fiduciary Net Position - Beginning	8,922,138	9,011,680	8,424,521	10,999,971	10,225,875
Plan Fiduciary Net Position - Ending (b)	$ 9,643,050	$ 8,922,138	$ 9,011,680	$ 8,424,521	$ 10,999,971
Net Pension Liability/(Asset) - Ending (a)-(b)	$ (833,247)	$ (59,017)	$ 29,345	$ 546,599	$ (1,775,928)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	109.46 %	100.67 %	99.68 %	93.91 %	119.25 %
Covered Valuation Payroll	$ 719,793	$ 760,469	$ 710,473	$ 702,406	$ 637,228
Net Pension Liability as a Percentage of Covered Valuation Payroll	(115.76) %	(7.76) %	4.13 %	77.82 %	(278.70) %

CITY OF HILLSBORO, ILLINOIS

Multiyear Schedule of Changes
in Net Pension Liability and Related Ratios
Illinois Municipal Retirement Fund
April 30, 2026
(Unaudited)

Calendar year ending December 31,	2020	2019	2018	2017	2016
Total Pension Liability					
Service Cost	$ 59,669	$ 68,493	$ 101,933	$ 113,944	$ 107,922
Interest on the Total Pension Liability	675,276	651,733	632,102	636,885	615,700
Benefit Changes	-	-	-	-	-
Difference between Expected and Actual Experience	62,391	405,118	350,318	75,851	115,591
Assumption Changes	(28,773)	-	230,228	(266,855)	(19,163)
Benefit Payments and Refunds	(804,462)	(787,917)	(685,017)	(550,188)	(574,884)
Net Change in Total Pension Liability	(35,899)	337,427	629,564	9,637	245,166
Total Pension Liability - Beginning	9,686,553	9,349,126	8,719,562	8,709,925	8,464,759
Total Pension Liability - Ending (a)	$ 9,650,654	$ 9,686,553	$ 9,349,126	$ 8,719,562	$ 8,709,925
Plan Fiduciary Net Position					
Employer Contributions	$ 313,721	$ 152,628	$ 102,282	$ 114,521	$ 123,503
Employee Contributions	28,791	50,478	52,360	44,540	45,110
Pension Plan Net Investment Income	1,418,080	1,637,866	(604,559)	1,473,940	526,795
Benefit Payments and Refunds	(804,462)	(787,917)	(685,017)	(550,188)	(574,884)
Other	120,826	90,961	266,645	(159,131)	118,339
Net Change in Plan Fiduciary Net Position	1,076,956	1,144,016	(868,289)	923,682	238,863
Plan Fiduciary Net Position - Beginning	9,148,919	8,004,903	8,873,192	7,949,510	7,710,647
Plan Fiduciary Net Position - Ending (b)	$ 10,225,875	$ 9,148,919	$ 8,004,903	$ 8,873,192	$ 7,949,510
Net Pension Liability/(Asset) - Ending (a)-(b)	$ (575,221)	$ 537,634	$ 1,344,223	$ (153,630)	$ 760,415
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.96 %	94.45 %	85.62 %	101.76 %	91.27 %
Covered Valuation Payroll	$ 639,802	$ 597,576	$ 867,537	$ 989,904	$ 1,002,464
Net Pension Liability as a Percentage of Covered Valuation Payroll	(89.91) %	89.97 %	154.95 %	(15.52) %	75.85 %

CITY OF HILLSBORO, ILLINOIS

Schedule of Funding Progress
April 30, 2026
(Unaudited)

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)
December 31, 2025	$ 1,572,871	$ 1,276,111	$ (296,760)	123.26 %	$ 719,793	- %
December 31, 2024	1,172,832	1,124,369	(48,463)	104.31 %	760,468	- %
December 31, 2023	1,293,596	1,213,740	(79,856)	106.58 %	710,473	- %
December 31, 2022	1,216,662	1,090,107	(126,555)	111.61 %	702,406	- %
December 31, 2021	1,369,529	974,340	(395,189)	140.56 %	637,227	- %
December 31, 2020	607,510	908,904	301,394	66.84 %	639,802	47.11 %
December 31, 2019	(1,271)	955,603	956,874	- %	597,575	160.13 %
December 31, 2018	657,671	1,582,544	924,873	41.56 %	867,536	106.61 %
December 31, 2017	2,239,181	2,563,414	324,233	87.35 %	989,804	32.76 %
December 31, 2016	2,031,571	2,724,944	693,373	74.55 %	1,002,464	69.17 %

On a market value basis, the actuarial value of assets as of December 31, 2025, is $2,071,061. On a market basis, the funded ratio would be 162.29%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with City of Hillsboro, Illinois. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

CITY OF HILLSBORO, ILLINOIS

Schedule of Funding Progress
April 30, 2026
(Unaudited)

Schedule of Net Position - Police and Firefighters

The latest actuarial report available - May 1, 2025

	Police	Firefighters	Total
Accrued liability	$ 4,458,602	$ 1,893,361	$ 6,351,963
Net position, May 1, 2025	3,485,154	1,500,181	4,985,335
Net pension liability, May 1, 2025	$ 973,448	$ 393,180	$ 1,366,628

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, 2025	$ 3,485,154	$ 4,458,602	$ 973,448	78.09 %	$ 502,833	193.59 %
May 1, 2024	3,338,356	4,184,795	846,439	79.77 %	415,152	203.89 %
May 1, 2023	3,197,475	3,858,542	661,067	82.87 %	403,624	163.78 %
May 1, 2022	3,044,584	3,610,438	565,854	84.33 %	396,552	142.69 %
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	54.16 %	382,117	407.89 %
May 1, 2016	1,638,550	3,053,414	1,414,864	53.66 %	354,661	398.93 %

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, 2025	$ 1,500,181	$ 1,893,361	$ 393,180	79.23 %	$ 241,800	162.61 %
May 1, 2024	1,439,675	1,826,176	386,501	78.84 %	229,736	168.24 %
May 1, 2023	1,396,960	1,865,766	468,806	74.87 %	180,773	259.33 %
May 1, 2022	1,369,141	1,895,130	525,989	72.25 %	264,867	198.59 %
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	49.99 %	211,120	515.75 %
May 1, 2017	1,018,946	2,056,048	1,037,102	49.56 %	206,440	502.37 %
May 1, 2016	948,049	1,800,646	852,597	52.65 %	200,824	424.55 %

SUPPLEMENTARY INFORMATION

CITY OF HILLSBORO, ILLINOIS

Combining Balance Sheet
Nonmajor Governmental Funds
April 30, 2026

	CDAP Revolving Loan Fund	Tax Increment Financing Fund	Total
Assets			
Cash	$ 275,726	$ 784,864	$ 1,060,590
Notes receivable	6,859	-	6,859
Total assets	$ 282,585	$ 784,864	$ 1,067,449
Liabilities			
Accounts payable	$ -	$ 700	$ 700
Total liabilities	-	700	700
Fund Balances			
Restricted	282,585	784,164	1,066,749
Total fund balances	282,585	784,164	1,066,749
Total liabilities and fund balances	$ 282,585	$ 784,864	$ 1,067,449

CITY OF HILLSBORO, ILLINOIS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended April 30, 2026

	CDAP Revolving Loan Fund	Tax Increment Financing Fund	Total
Revenues:			
Property taxes	$ -	$ 351,284	$ 351,284
Investment income	8,498	22,586	31,084
Miscellaneous	325	-	325
Total revenues	8,823	373,870	382,693
Expenditures:			
General government	-	223,173	223,173
Total expenditures	-	223,173	223,173
Net change in fund balances	8,823	150,697	159,520
Fund balance, beginning	273,762	633,467	907,229
Fund balances, ending	$ 282,585	$ 784,164	$ 1,066,749

CITY OF HILLSBORO, ILLINOIS

Hillsboro Downtown TIF District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended April 30, 2026

	Year Ended April 30, 2026	Cumulative
Revenues:		
Property taxes	$ 351,284	$ 2,350,700
Interest	22,586	62,070
Total revenues	373,870	2,412,770
Expenditures:		
Administration and legal	58,923	161,972
Distribution to taxing bodies	164,250	1,466,634
Total expenditures	223,173	1,628,606
Net change in fund balance	150,697	$ 784,164
Fund balance, beginning	633,467	
Fund balance, ending	$ 784,164	