

VILLAGE OF HILLCREST, ILLINOIS
ANNUAL FINANCIAL REPORT
FINANCIAL STATEMENTS AND INFORMATION

YEAR ENDED JUNE 30, 2019

VILLAGE OF HILLCREST, ILLINOIS

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WINEBAUGH & ASSOCIATES, P.C.

ACCOUNTANTS & CONSULTANTS

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OPINION OF INDEPENDENT AUDITOR

Village President and Trustees
Of the Village Board, Hillcrest, Illinois

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, the business-type activity, and aggregate remaining fund information of the Village of Hillcrest, Ogle County, Illinois, as of and for the year ended June 30, 2019, and the related notes to the financial statement's which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting principles described in Note A; this includes determining that modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position—modified cash basis of the governmental activities, each major fund and the aggregate remaining fund information, of the Village of Hillcrest as of June 30, 2019, and the respective changes in financial position—modified cash basis, thereof, for the year then ended in conformity with the basis of accounting described in Note A.

Basis of Accounting

As described in Note A, the Village of Hillcrest, Ogle County, Illinois, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Hillcrest's basic financial statements. The schedule listed in the table of contents as Other Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. However, we did not audit the information and express no opinion on it.


Certified Public Accountant

December 19, 2019

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VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash & Cash Equivalents	1,684,222	155,383	1,839,605
Total Current Assets	<u>1,684,222</u>	<u>155,383</u>	<u>1,839,605</u>
Noncurrent Assets:			
Land	1,322,392	-	1,322,392
Net Capital Assets	<u>29,591</u>	<u>1,659,043</u>	<u>1,688,634</u>
Total Net Assets	<u>1,351,983</u>	<u>1,659,043</u>	<u>3,011,026</u>
Total Assets	<u>3,036,205</u>	<u>1,814,426</u>	<u>4,850,631</u>
LIABILITIES			
Current Liabilities:			
Payroll Taxes Payable	126	-	126
Water Deposits	-	6,215	6,215
Notes Payable Current	<u>-</u>	<u>38,847</u>	<u>38,847</u>
Total Current Liabilities	126	45,062	45,188
Noncurrent Liabilities :			
Notes Payable	<u>-</u>	<u>562,537</u>	<u>562,537</u>
Total Liabilities	<u>126</u>	<u>607,599</u>	<u>607,725</u>
NET POSITION			
Invested in Capital Assets	1,351,983	1,659,043	3,011,026
Restricted Net Position	164,115	(452,216)	(288,101)
Unrestricted Net Position	<u>1,519,981</u>	<u>-</u>	<u>1,519,981</u>
Total Net Position	<u>3,036,079</u>	<u>1,206,827</u>	<u>4,242,906</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2019

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services or Sales</u>	<u>Operating Grants/ Contributions</u>
Government Activities:			
Administration	(105,897)	17,291	-
Finance	(43,796)	-	-
Buildings & Grounds	-	-	-
Public Safety (Police)	(8,703)	162	-
Health & Welfare	(4,836)	-	-
Ordinances	(3,673)	-	-
Roads & Highways	(94,243)	-	-
Building/Zoning	(12,208)	2,901	-
Economic Development	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Government Activities	<u>(273,356)</u>	<u>20,354</u>	<u>-</u>
Business-Type Activities:			
Utility Fund	(332,197)	275,019	-
Total Business-Type Activities	<u>(332,197)</u>	<u>275,019</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Total Government	<u>(605,553)</u>	<u>295,373</u>	<u>-</u>

See Note C.

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Net Revenue (Expense) and Changes in Net Position

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
	(88,606)	-	(88,606)
	(43,796)	-	(43,796)
	-	-	-
	(8,541)	-	(8,541)
	(4,836)	-	(4,836)
	(3,673)	-	(3,673)
	(94,243)	-	(94,243)
	(9,307)	-	(9,307)
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(252,002)</u>	<u>-</u>	<u>(252,002)</u>
	<u>-</u>	(57,178)	(57,178)
	<u>-</u>	(57,178)	(57,178)
	<u>(252,002)</u>	<u>(57,178)</u>	<u>(309,180)</u>

General Revenues

ROT Tax	215,404	-	215,404
State Income Tax	137,097	-	137,097
Real Estate Tax	49,914	-	49,914
Electric Tax	34,094	-	34,094
Use Tax	40,314	-	40,314
Video Gaming Tax	33,136	-	33,136
Telecomm. Tax	13,638	-	13,638
Road & Bridge Tax	10,502	-	10,502
Personal Property Tax	900	-	900
Motor Fuel Tax	33,555	-	33,555
Interest	<u>5,625</u>	<u>-</u>	<u>5,625</u>
Total General Revenues	574,179	-	574,179
Change in Net Position	321,177	(57,178)	263,999
Net Position Beginning	<u>2,714,902</u>	<u>1,264,005</u>	<u>3,978,907</u>
Net Position Ending	<u>3,036,079</u>	<u>1,206,827</u>	<u>4,242,906</u>

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>Governmental Fund Types</u>		Total Governmental Funds
	<u>General</u>	<u>MFT</u>	
<u>ASSETS</u>			
Cash & Cash Equivalents	<u>1,520,107</u>	<u>164,115</u>	<u>1,684,222</u>
Total Assets	<u>1,520,107</u>	<u>164,115</u>	<u>1,684,222</u>
 <u>LIABILITIES & FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Payable	126	-	126
Total Liabilities	<u>126</u>	<u>-</u>	<u>126</u>
 Fund Balance			
Restricted	-	164,115	164,115
Unassigned	<u>1,519,981</u>	<u>-</u>	<u>1,519,981</u>
Total Fund Balance	<u>1,519,981</u>	<u>164,115</u>	<u>1,684,096</u>
 Total Liabilities and Fund Balance			
	<u>1,520,107</u>	<u>164,115</u>	<u>1,684,222</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HILLCREST, ILLINOIS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

Total Governmental Funds Balance	1,684,096
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>1,351,983</u>
Net Position of Governmental Activities	<u>3,036,079</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED AND CHANGES IN FUND BALANCE
 MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 JUNE 30, 2019

	<u>Government Fund Types</u>		Total Governmental Funds
	<u>General</u>	<u>MFT</u>	
<u>REVENUES RECEIVED</u>			
Property Taxes	49,914	-	49,914
Road & Bridge Taxes	10,502	-	10,502
Sales and Use Taxes	255,718	-	255,718
Utility Taxes	34,094	-	34,094
State Income Taxes	137,097	-	137,097
Telecommunication Tax	13,638	-	13,638
Video Gaming Tax	33,136	-	33,136
State PPRT Taxes	900	-	900
Motor Fuel Taxes	-	33,555	33,555
Licenses and Permits	18,591	-	18,591
Fines	162	-	162
Miscellaneous Revenue	310	-	310
Grants/Other Reimbursements	1,291	-	1,291
Interest	5,088	537	5,625
Total Revenues	<u>560,441</u>	<u>34,092</u>	<u>594,533</u>
<u>EXPENDITURES DISBURSED</u>			
CURRENT:			
Administration	100,635	-	100,635
Finance	43,796	-	43,796
Buildings and Grounds	-	-	-
Health and Welfare	4,836	-	4,836
Public Safety	8,703	-	8,703
Ordinances	3,673	-	3,673
Roads & Highways	75,208	19,035	94,243
Building/Zoning	12,208	-	12,208
Economic Development	-	-	-
Total Expenditures	<u>249,059</u>	<u>19,035</u>	<u>268,094</u>
Excess (Deficit) of Revenues Received Over (Under) Expenditures Disbursed	<u>311,382</u>	<u>15,057</u>	<u>326,439</u>
Net Change in Fund Balance	<u>311,382</u>	<u>15,057</u>	<u>326,439</u>
Fund Balance			
At June 30, 2018	<u>1,208,599</u>	<u>149,058</u>	<u>1,357,657</u>
At June 30, 2019	<u>1,519,981</u>	<u>164,115</u>	<u>1,684,096</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HILLCREST, ILLINOIS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2019

Net Changes in Fund Balances - Total Governmental Funds 326,439

Amounts reported for Governmental Activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense. The following is amount
of capital outlays and depreciation in the current year.

Depreciation (5,262)

Change in Net Position of Governmental Activities 321,177

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HILLCREST, ILLINOIS

DETAILED STATEMENT OF EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP) BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over / (Under)
	Original	Final		
REVENUES				
Real Estate Taxes	54,500	54,500	49,914	(4,586)
Electric Tax	39,000	39,000	2,269	(36,731)
Video Gaming Tax	28,500	28,500	33,136	4,636
Liquor Licenses	3,000	3,000	3,000	-
Franchise License Cable	12,500	12,500	44,455	31,955
Special Use Permits	-	-	50	50
Building Permits	2,300	2,300	2,901	601
Peddlers Permits	-	-	10	10
State Income Tax	150,000	150,000	137,097	(12,903)
Personal Prop. Replacement Tax	900	900	900	-
Sales Tax	215,000	215,000	215,404	404
Road and Bridge Tax	11,500	11,500	10,502	(998)
Telecommunications (Excise Tax Use Tax	15,000	15,000	13,638	(1,362)
	34,000	34,000	40,315	6,315
Police Fines	850	850	-	(850)
Interest	3,000	3,000	5,088	2,088
Reimbursements	-	-	1,291	1,291
Miscellaneous	250	250	310	60
Total	570,300	570,300	560,280	(10,020)

Administration Expenditures

A - Salaries-Regular	13,000	13,000	17,765	4,765
Salaries Part Time	5,500	5,500	1,004	(4,496)
A-Salaries-Elected Officials	3,740	3,740	2,500	(1,240)
A - Engineering Service	12,000	12,000	11,862	(138)
A - Legal Service	15,000	15,000	5,138	(9,862)
A - Legal Service - Annexation	10,000	10,000	2,496	(7,504)
Data Processing Services	3,500	3,500	2,527	(973)
A - Other Prof. Service	6,300	6,300	891	(5,409)
A - Postage	2,500	2,500	1,598	(902)
A - Telephone Line 7770	2,825	2,825	160	(2,665)
A - Publishing	3,000	3,000	522	(2,478)
A-Internet	5,000	5,000	4,675	(325)
A - Dues	1,800	1,800	2,154	354
A - Travel Expense	1,000	1,000	184	(816)
A - Training	2,500	2,500	6,288	3,788
A-Publications	600	600	-	(600)
A - General Insurance	20,000	20,000	14,510	(5,490)
A- Rentals - Copier	1,700	1,700	1,036	(664)
A - Office Expense	6,500	6,500	1,939	(4,561)
A-Operating Supplies	500	500	1,020	520
A-Janitorial Supplies	-	-	438	438
A - Misc.	15,000	15,000	21,928	6,928
Total	131,965	131,965	100,635	(31,330)

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HILLCREST, ILLINOIS

DETAILED STATEMENT OF EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP) BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over / (Under)
	Original	Final		
Financial Expenditures				
F - salaries	13,000	13,000	9,087	(3,913)
F-Salaries-Elected Officials	2,600	2,600	2,760	160
F-Health Life Insurance	8,400	8,400	2,784	(5,616)
F - Unemployment Insurance	500	500	223	(277)
F-Worker's Compensation	7,000	7,000	4,831	(2,169)
F - Social Security Exp.	7,000	7,000	5,089	(1,911)
F - Medicare	1,500	1,500	1,190	(310)
F- IMRF Contribution	2,500	2,500	1,540	(960)
F - Accounting Service-Audit	14,000	14,000	12,875	(1,125)
Data Processing Services	1,600	1,600	-	(1,600)
Other Professional Services	5,000	5,000	2,644	(2,356)
F-Bank Service Charge	100	100	205	105
F - Miscellaneous	100	100	568	468
Total	63,300	63,300	43,796	(19,504)
Police Department				
P - Salaries	38,000	38,000	6,364	(31,636)
P - Maint. Service - Equip.	200	200	-	(200)
P = Maint. Service-Vehicle	2,700	2,700	464	(2,236)
P - Police Protection	1,500	1,500	876	(624)
P - Telephone 562-2081	2,000	2,000	548	(1,452)
P - Operating Supplies	800	800	-	(800)
P-Automotive Fuel/Oil	2,000	2,000	212	(1,788)
P - Equipment	2,500	2,500	-	(2,500)
Total	49,700	49,700	8,464	(41,236)
Building & Grounds				
Health & Welfare				
H-Salaries-Elected Officials	-	-	2,560	2,560
H - Early Warning System	2,000	2,000	88	(1,912)
H- Maint Service-Spraying & Equipment	2,500	2,500	1,714	(786)
Maintenance Service-Creek Cleaning	2,000	2,000	-	(2,000)
Maintenance Service-Tree Removal	2,500	2,500	-	(2,500)
H- Utilities	800	800	475	(325)
Total	9,800	9,800	4,837	(4,963)
Roads & Highways				
R - Salaries	42,000	42,000	32,556	(9,444)
R- Salaries-Elected Officials	2,600	2,600	2,720	120
R - Maint. Service - Building	5,500	5,500	1,653	(3,847)
R- Maint. Service-Equipment	7,500	7,500	506	(6,994)
R - Maint. Service - Vehicle	2,500	2,500	4,697	2,197
R - Maint. Service Street	-	-	3,842	3,842
R- Maint, Service-Snow Removal	2,000	2,000	9,796	7,796
R - Telephone	650	650	1,427	777
Training	1,500	1,500	54	(1,446)
R - Utilities	13,000	13,000	8,144	(4,856)

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HILLCREST, ILLINOIS

DETAILED STATEMENT OF EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP) BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over / (Under)
	Original	Final		
Rentals	3,000	3,000	32	(2,968)
R - Maint. Supply Building	1,900	1,900	811	(1,089)
R - Maint. Supplies Equipment	3,000	3,000	657	(2,343)
R - Maint. Supplies Vehicle	3,000	3,000	-	(3,000)
R - Maint. Supply Street	2,000	2,000	3,912	1,912
R - Operating Supplies	600	600	1,145	545
Small Tools	1,500	1,500	219	(1,281)
R - Fuel	2,000	2,000	2,874	874
R Capital Outlay - Building	40,000	40,000	-	(40,000)
R Capital Outlay - Equipment	25,000	25,000	130	(24,870)
R-Vehicle	-	-	34	34
Total	159,250	159,250	75,209	(84,041)
Ordinance Expenses				
O-Salaries-Elected Officials	2,600	2,600	2,480	(120)
O - Accounting Service-Other	-	-	1,193	1,193
O - Legal Service Ordinances	1,500	1,500	-	(1,500)
Data Processing Services	-	-	225	225
Publishing-Ordinances	-	-	14	14
O-Computer Application	1,000	1,000	-	(1,000)
Total	5,100	5,100	3,912	(1,188)
Building Inspector/Zoning				
B/Z Salaries-Elected Officials	2,600	2,600	2,560	(40)
B/Z (Casper)Other Prof.Service	9,600	9,600	9,648	48
Total	12,200	12,200	12,208	8
Economic/Community Development				
Total Expenditures	431,315	431,315	249,059	(182,256)
Excess (deficiency) of Revenue Over Expenditures	138,985	138,985	311,221	172,236

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS - MODIFIED CASH BASIS
JUNE 30, 2019

	<u>Utility Fund</u>
<u>ASSETS:</u>	
Current Assets:	
Cash & Cash Equivalents	155,383
Total Current Assets	<u>155,383</u>
Noncurrent Assets:	
Utility System - Sewer	1,595,787
Capital Assets: Property, Plant & Equip.	732,698
Accumulated Depreciation	(669,442)
Total Noncurrent Assets	<u>1,659,043</u>
 Total Assets	 <u>1,814,426</u>
 <u>LIABILITIES</u>	
Current Liabilities:	
Water Deposits	6,215
Current Note Payable	38,847
Total Current Liabilities	<u>45,062</u>
Notes Payable Non-Current	<u>562,537</u>
Total Liabilities	607,599
 <u>NET POSITION</u>	
Invested in Capital Assets, Net of Related Debt	1,057,659
Restricted Net Position	149,168
Total Net Position	<u>1,206,827</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Utility Fund</u>
<u>OPERATING REVENUES</u>	
Utility Services	
Total Operating Revenue	<u>275,019</u>
<u>OPERATING EXPENSES</u>	
Garbage/Recycle/Yard Waste	72,964
Salaries & Related	46,945
Utilities	12,376
Water Analysis and Meter Report	49
Telephone	640
Chemicals	5,471
Depreciation	94,215
Repairs and Maintenance	18,242
Maintenance Supply	1,523
Audit & Service Accounting	5,172
Postage & Publications	2,333
Office & Operating Supplies,	643
Copier Rental	1,112
Water Meter Replacement	9,010
Miscellaneous	-
Small Tools	531
Sewer Charges	11,066
Travel Expense	-
Engineering Service	19,207
Data Processing	1,452
Other Professional Services	<u>5,684</u>
Total Operating Expenses	<u>308,365</u>
Operating Income (Loss)	(33,346)
NON-OPERATING REVENUES (EXPENSES):	
Interest/Bank Charges	(<u>23,832</u>)
CHANGES IN NET POSITION	(57,178)
Net Position	
At June 30, 2018	<u>1,264,005</u>
At June 30, 2019	<u>1,206,827</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Utility <u>Fund</u>
<u>Cash Flows from Operating Activities</u>	
Cash Received from Service Users	275,019
Cash Payments for Goods and Services	(167,205)
Cash Payments to Employees	<u>(46,945)</u>
Net Cash from Operating Activities	<u>60,869</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Decrease Water Deposits	(2,689)
Note Payable	(37,447)
Capital Outlay	(9,800)
Interest Expense	<u>(23,832)</u>
Net Cash from Capital Financing Activities	<u>(73,768)</u>
Net Increase in Cash and Cash Equivalents	(12,899)
Cash and Cash Equivalents June 30, 2018	<u>168,282</u>
Cash and Cash Equivalents June 30, 2019	<u>155,383</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	(33,346)
Depreciation	<u>94,215</u>
Net Cash from Operating Activities	<u>60,869</u>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HILLCREST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A: Significant Accounting Policies

The Village of Hillcrest was organized under the provisions of an act of the General Assembly of the State of Illinois and was created March 27, 1958, and has a population of 1,326 (2010 census).

a. **REPORTING ENTITY**

In evaluating how to define the Village of Hillcrest, for financial reporting purposes, management has considered all potential component units. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability defined in GASB Statement 14 and amended by GASB Statement 39. These statements require a potential component unit to be discretely presented and reported within the reporting entity financial statements if their exclusion would cause the Village's financial statements to be misleading or incomplete. Based upon the application of these criteria, there are no component units included in this report.

b. **BASIS OF PRESENTATION**

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Village as a whole. These statements distinguish between activities that are governmental which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities which rely to a significant extent on fees and charges. Program revenues include charges paid by the recipients of the goods or services offered by the programs and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The effect of material inter-fund activity has been eliminated from these statements. The comparison of program revenues and expenses identifies the extent to which program or function is self-financing or draws from the general revenues of the Village. Indirect expenses are allocated to the function it is most closely related.

Internal activity between funds are estimated in the Governmental-wide statement of activities.

Net position should be reported as restricted when constraints placed on net asset use either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their net position use.

VILLAGE OF HILLCREST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A: Significant Accounting Policies (continued)

Fund Financial Statements

The accounts of the Village of Hillcrest are maintained on the basis of funds, each of which are considered a separate accounting entity. The operation of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The following are the descriptions for all fund categories presently in use by the Village of Hillcrest:

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as net position. The following are the Village's major governmental funds:

General Fund - The General Fund is the primary operating fund of the Village. The General Fund is for all financial resources except those required to be accounted in another fund.

VILLAGE OF HILLCREST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE A: Significant Accounting Policies (continued)

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources and legally restricted to expenditures for specific purposes by enabling legislation. The Village has one such fund.

Motor Fuel Tax Fund - To account for the receipt of Motor Fuel Tax revenue from the State of Illinois and legally restricted to expenditures for maintenance and upkeep of Village roads. Year end net position balance is \$164,115.

Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for a government's ongoing activities which are similar to those often found in the private sector (business-type activities). These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The measurement focus is upon income determination, financial position and cash flows. The Village operates one such fund:

The Enterprise Fund (Utility Fund) is used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, (water, garbage and recycling fees).

Proprietary fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for proprietary funds.

The Village has no Fiduciary Funds.

VILLAGE OF HILLCREST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note a: Significant Accounting Policies (continued)

c. **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is term used to describe "how" 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 - Modified Cash Basis and the Statement of Activities - Modified Cash Basis, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement or the "economic resources" measurement focus, as applied to the modified cash of accounting is used as appropriate:

1. All government funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are general 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.
2. A proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (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.

In the government-wide Statement of Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis and the fund financial statements, governmental, and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues, and expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

VILLAGE OF HILLCREST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE A: Significant Accounting Policies (continued)

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Village utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

d. Assets and Liabilities

Cash and Cash Equivalents

For the purpose of financial reporting, cash includes all checking and savings accounts, certificates of deposit with an original maturity date of 90 days or less, and money market accounts.

Investments

Village investments are certificates of deposits with an original maturity date of greater than 90 days. Certificate of deposit investments are stated at carrying value which approximate fair market value.

Deposit Policies

The Village's only deposit policy addresses the issue of custodial credit risk. Amounts over the FDIC/FSLIC insured amount of \$250,000 must be covered by a collateral agreement.

Capital Assets

The Village's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate.

Governmental-type capital assets include land, land improvements, buildings and equipment, owned by the Village and are stated at historical cost or estimated historical cost. Donated capital assets are stated at estimated market value at the time of donation. In applying the transition provisions for retroactive reporting of infrastructure assets, the Village is not required to retroactively report its major general infrastructure assets of roads, and has not done so. Expenditures must meet a minimum capitalization dollar threshold to be included in the Village's capital asset depreciation schedule. If the dollar threshold is not met then the item is written off during the current period. Current threshold amounts vary for all expenditures, (from \$1,000 to \$100,000).

VILLAGE OF HILLCREST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A: Significant Accounting Policies (continued)

Depreciation for governmental-type capital assets is provided using the straight-line method over the estimated life of the asset. A half-year convention of depreciation is recorded in the first and last year of acquisition regardless of the month the capital asset is acquired or sold. Depreciation lives in years for property items within each asset classification as follows:

Buildings	40	Office Furniture & Equipment	5
Building Improvement	20	Machinery & Equipment	10
Land Improvements	20	Vehicles	7
Roads	40	Computer Hardware	5

Capital Assets - Business-type activity (Enterprise Fund), includes the Water Department is recorded as historical cost. Depreciation is charged as an expense against operations and capital assets are recorded net of accumulated depreciation the Statement of Net Assets. The dollar capitalization threshold amount is \$1,000 to \$100,000.

Depreciation for business-type activity (Enterprise Fund) is provided using the straight-line over the estimated useful life of the asset. A half year of depreciation is recorded in the year of acquisition regardless of the month the capital asset is acquired. Depreciation lives in years for property items within each asset classification are: Equipment and distribution system 10 to 40 years.

e. Revenues, Expenditures, and Expenses

Program Revenues

In the Statement of Activities revenues that are derived directly from each activity or from parties outside the Village's taxpayers are reported as program revenue. The Village has the following program revenues: General Government-licenses and fees, garbage fees, building permits, fines and miscellaneous charges. All other Governmental Revenues are reported as general. All taxes are classified as General Revenue even if restricted for a specific purpose.

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

VILLAGE OF HILLCREST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A: Significant Accounting Policies (continued)

Property Taxes

It is the Village's intention that property taxes generated from the 2017 property tax levy be used for financing the operating budget of the fiscal year ending June 30, 2019. Therefore, property tax revenue represent the receipts generated by the 2017 property tax levy. The property tax levy was passed September 13, 2017. This levy for 2017 real estate taxes was due in two equal installments on June 8, 2019 and September 7, 2019. The County Collector, by state statute, has the power to put all unpaid tax bills up for auction the last Monday in October.

Compensated Absences

Currently only the Village Maintenance Supervisor qualifies for vacation or sick pay. Unused sick pay is paid at end of calendar year while unused vacation pay is forfeited.

Budget

The Village legally adopts an annual appropriation ordinance which gives the Village legal authority to expend funds in accordance with Illinois State Statutes. The budget is prepared and maintained using a modified cash basis method of accounting in which revenue is recorded only when received and expenditures are recorded only when paid.

The budget ordinance was adopted September 13, 2018.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions may occur between individual funds for goods provided or services rendered. These receivables and payables, if any, are classified as due from other funds on the balance sheet. Short term loans, if any are also classified as due from other funds, or due to other funds.

Inter-fund transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

VILLAGE OF HILLCREST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE A: Significant Accounting Policies (continued)

f. **Fund Balancing Reporting**

The Village adopted the GASB 54 policy on July 10, 2014. The governmental Accounting Standards Board (GASB) released Statement 54, "Fund Balance reporting and Governmental Fund Type Definitions" on March 11, 2009 which is effective for fiscal year ending June 30, 2011. This statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classifications. This statement applies to "governmental" fund balances reported in the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds. This statement does not apply to Enterprise Funds, Internal Service Funds and Fiduciary Funds.

Currently fund balance is classified as "reserved" or "unreserved". GASB 54 will change how fund balance is reported. The hierarchy of five (5) possible GASB 54 classifications is as follows:

Nonspendable Fund balance includes amounts not in spendable form (such as inventory or pre-paid items), or amounts required to be Maintained in tact legally or contractually.

Restricted Fund includes amounts constrained for a specific purpose by external parties (e.g., grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.

Committed Fund balance includes amounts constrained for a special purpose by a government using its highest level of decision making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned Fund balance includes General Fund amounts intended for a specific purpose by a governing board or by an official that has been delegated authority to assign amounts. For all other governmental funds besides the General Fund, this balance would include any remaining positive amount not classified as nonspendable, restricted, or committed.

Unassigned Fund balance includes amounts (if any) that are available for any purpose. This balance is only reported in the General Fund.

VILLAGE OF HILLCREST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A: Significant Accounting Policies (continued)

In addition to the disclosures already mentioned, Statement 54 requires governments to disclose:

- The decision making authority and formal action, if any, that result in commitments of fund balance.
- The bodies of persons with authority to express intended uses of resources that result in assigned fund balance.
- The order in which a government assumes restricted, committed, assigned, and unassigned amounts are spent when amounts in more than one classification are available for a particular purpose.
- Information about minimum fund balance policies, if the government has one.
- The purpose for each major special revenue fund, identifying which revenues and other resources are reported in each of those funds.

NOTE B: Cash and Investments

Permitted investments are bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest; in bonds, notes and debentures of the United States of America or its agencies; interest bearing savings accounts, certificates of deposits or time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act.

Custodial Credit Risk-Deposits

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village's investment policy requires pledging of collateral for all deposits in excess of FDIC/FSLIC insured amounts.

Deposits

At June 30, 2019, the reported amount of the Village's deposits per bank balance was \$1,834,992. \$250,000 was covered by the Federal Depository Insurance (FDIC) and the balance of \$1,584,992 was covered by collateral held by the bank's trust department in the Village's name.

VILLAGE OF HILLCREST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE C: Capital Assets

Governmental Activities

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Land	1,322,392	-	-	1,322,392
Land Improvement	21,250	-	-	21,250
Building Improvement	67,513	-	-	67,513
Computer Hardware	32,005	-	-	32,005
Machinery & Equipment	34,961	-	-	34,961
Office Furniture	15,515	-	-	15,515
Police Equipment	11,758	-	-	11,758
Vehicles	51,192	-	-	51,192
Total Depreciable	234,194	-	-	234,194
Accum. Depreciation	(199,341)	(5,262)	-	(204,603)
Net Depreciable Assets	34,853	(5,262)	-	29,591
Total Net Capital Assets	1,357,245	(5,262)	-	1,351,983

Depreciation is allocated \$5,252 Administrative, none for Streets and Highways, and none for Public Safety.

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>Water Department</u>				
Utility Sewer System	1,595,788	-	-	1,595,788
Water Distribution Systems				
Water Mains	116,889	-	-	116,889
Pump House	140,538	-	-	140,538
Wells	173,495	-	-	173,495
Water Tank	24,009	-	-	24,009
Water Tower Refurbish	67,045	-	-	67,045
Total Water Distribution	521,976	-	-	521,976
Water Meters	158,426	-	-	158,426
Equipment	32,852	-	-	32,852
Billing Software	9,645	-	-	9,645
Vehicles	-	9,800	-	9,800
Total Fixed Assets	2,318,687	9,800	-	2,328,487
Accumulated Depreciation	(575,229)	(94,215)	-	(669,444)
Net Capital Assets	1,743,458	(84,415)	-	1,659,043
Total Net Assets	1,743,458	(84,415)	-	1,659,043

VILLAGE OF HILLCREST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE D: Illinois Municipal Retirement Fund
Plan Description

The employees of the Village of Hillcrest are provided with pensions through the Illinois Municipal Retirement Fund (IMRF) - an agent multiple-employer defined benefit pension plan. Established by the Illinois State Legislature for the benefit of Illinois municipal employees outside the city of Chicago, IMRF is governed by the Illinois Pension Code. IMRF issues a publicly available financial report that can be obtained at <http://imrf.org>.

Benefits Provided

IMRF provides retirement, disability, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. The benefit provisions in effect on the member's date of participation determine a member's minimum benefit while the benefit provisions in effect on the member's date of termination determine a member's maximum benefit. Public Act 96-0889 added new section to the Pension Code that applies different benefits to anyone who first contributes to IMRF on or after January 1, 2011 and does not have any other previous service credit with one of the reciprocal retirement systems in Illinois. Members who first participate on or after that date are members of Tier II. Anyone who made contributions to IMRF prior to January 1, 2011 remain participants of Tier I. Tier 1 retirement benefits are determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. The pension amount is 1 2/3 percent of the final rate of earnings for each of the first fifteen years of service and 2 percent for each year of service credit in excess of fifteen years, up to a maximum of 75 percent of the final rate of earnings.

Tier II benefits are determined by the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Pension earnings are initially capped at \$110,631 increasing annually by 3 percent or the consumer price index, whichever is less.

NOTE E: Risk Management and Litigation

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Village has obtained coverage from a commercial insurance company for this exposure. Risk management expenditures are accounted for in the General Fund. Management believes such coverage is sufficient to preclude significant uninsured losses to the Village. Settlements have not exceeded this insurance coverage in any of the past three years.

VILLAGE OF HILLCREST, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE F: Notes Payable

Governmental Funds:
Sewer Loan

The Village has a loan agreement with Central Bank in the amount of \$601,384. Interest rate on the loan is 3.780% with monthly payments of \$5,106.55 commencing on November 19, 2016 with a balloon payment October 19, 2026.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	38,847	22,432	61,279
2021	40,423	20,856	61,279
2022	42,000	19,279	61,279
2023	43,638	17,641	61,279
2024	45,297	15,982	61,279
2025-2026	391,179	16,035	407,214
	<u>601,384</u>	<u>112,225</u>	<u>713,609</u>

<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>638,831</u>	<u>-</u>	<u>37,447</u>	<u>601,384</u>

NOTE G: Legal Debt Margin

Assessed Valuation - 2018 Levy	\$ <u>16,292,608</u>
Statutory debt limitations:	
8.6258% of Assessed Valuation	\$ 1,405,368
General Obligation Debt	<u>601,384</u>
Legal Debt Margin	<u>803,984</u>

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OTHER INFORMATION

VILLAGE OF HILLCREST, ILLINOIS

ASSESSED VALUATION, RATES, EXTENSIONS AND COLLECTIONS
APRIL 30, 2019

Assessed Valuation

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>16,292,608</u>	<u>16,201,601</u>	<u>15,646,952</u>	<u>14,904,307</u>

	<u>Combined</u>	<u>Corporate</u>	<u>½ Road and Bridge</u>
<u>2018 Tax Levy</u>			
2018 Tax Levy Rates	.33300		
2018 Tax Levy Extensions	53,891	53,891	13,381
 <u>2017 Tax Levy</u>			
2017 Tax Levy Rates	.33300		
2017 Tax Levy Extensions	53,951	53,915	12,821
2017 Tax Collections	53,858	53,858	12,754
Percentage of Extension collected	99.83%		
 <u>2016 Tax Levy</u>			
2016 Tax Levy Rates	.33300		
2016 Tax Levy Extensions	52,104	52,104	12,161
2016 Tax Collections	52,079	52,079	12,079
Percentage of Extension collected	99.95%		
 <u>2015 Tax Levy</u>			
2015 Tax Levy Rates	.33300		
2015 Tax Levy Extensions	49,632	49,632	11,408
2015 Tax Collections	49,565	49,565	11,408
Percentage of Extension collected	99.86%		