

VILLAGE OF HILLCREST, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended  
June 30, 2020

VILLAGE OF HILLCREST, ILLINOIS  
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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Village President and Board of Trustees  
Village of Hillcrest  
Hillcrest, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Hillcrest, Illinois, as of and for the year ended June 30, 2020, and the related notes to the financial statements, 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 described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

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, and each major fund of the Village of Hillcrest, Illinois, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

**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, Illinois' basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements – budget vs. actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 individual fund financial statements – budget vs. actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Plano, Illinois

December 7, 2020



VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2020

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and investments	\$ 2,030,382	\$ 113,702	\$ 2,144,084
Capital assets being depreciated (net of accumulated depreciation)	1,347,545	1,622,430	2,969,975
<b>Total assets</b>	<b>\$ 3,377,927</b>	<b>\$ 1,736,132</b>	<b>\$ 5,114,059</b>
<b>LIABILITIES</b>			
Payroll liabilities	127	-	127
Customer deposits	-	5,525	5,525
Long-term debt due in less than one year	-	40,423	40,423
Long-term debt due in more than one year	-	522,115	522,115
<b>Total liabilities</b>	<b>127</b>	<b>568,063</b>	<b>568,190</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,347,545	1,059,892	2,407,437
Restricted for			
Highways and streets	186,784	-	186,784
Unrestricted	1,843,471	108,177	1,951,648
<b>Total net position</b>	<b>3,377,800</b>	<b>1,168,069</b>	<b>4,545,869</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 3,377,927</b>	<b>\$ 1,736,132</b>	<b>\$ 5,114,059</b>

See accompanying notes to financial statements

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2020

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 179,041	\$ 18,279	\$ -	\$ -
Highways and streets	93,282	-	-	-
Culture and recreation	7,353	-	-	-
Total governmental activities	279,676	18,279	-	-
Business-Type Activities				
Water	345,924	306,140	-	-
Total business-type activities	345,924	306,140	-	-
TOTAL PRIMARY GOVERNMENT	\$ 625,600	\$ 324,419	\$ -	\$ -

See accompanying notes to financial statements



	Net (Expense) Revenue and Change in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	\$ (160,762)	\$ -	\$ (160,762)
	(93,282)	-	(93,282)
	(7,353)	-	(7,353)
	(261,397)	-	(261,397)
	-	(39,784)	(39,784)
	-	(39,784)	(39,784)
	(261,397)	(39,784)	(301,181)
General Revenues			
Taxes			
Property taxes	34,803	-	34,803
Replacement tax	985	-	985
Road and bridge tax	16,763	-	16,763
Sales tax	228,435	-	228,435
Local use tax	46,401	-	46,401
Video gaming tax	25,265	-	25,265
Telecommunications tax	13,221	-	13,221
Cannabis Tax	328	-	328
Utility Tax	35,691	-	35,691
Motor fuel tax	63,921	-	63,921
Income taxes	130,424	-	130,424
Intergovernmental	638	-	638
Investment income	5,724	1	5,725
Miscellaneous	519	1,025	1,544
Total	603,118	1,026	604,144
CHANGE IN NET POSITION	341,721	(38,758)	302,963
NET POSITION, JULY 1	3,036,079	1,206,827	4,242,906
NET POSITION, JUNE 30	\$ 3,377,800	\$ 1,168,069	\$ 4,545,869

See accompanying notes to financial statements

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS  
GOVERNMENTAL FUNDS

June 30, 2020

	General	Motor Fuel Tax Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 1,843,598	\$ 186,784	\$ 2,030,382
<b>TOTAL ASSETS</b>	<b>\$ 1,843,598</b>	<b>\$ 186,784</b>	<b>\$ 2,030,382</b>
<b>LIABILITIES</b>			
Payroll liabilities	127	-	127
<b>TOTAL LIABILITIES</b>	<b>127</b>	<b>-</b>	<b>127</b>
<b>FUND BALANCE</b>			
<b>FUND BALANCE</b>			
Restricted			
Highways and streets	-	186,784	186,784
Unrestricted			
Unassigned	1,843,471	-	1,843,471
<b>TOTAL FUND BALANCE</b>	<b>\$ 1,843,471</b>	<b>\$ 186,784</b>	<b>\$ 2,030,255</b>

See accompanying notes to financial statements

VILLAGE OF HILLCREST, ILLINOIS

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION -  
MODIFIED CASH BASIS

June 30, 2020

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FUND BALANCES OF GOVERNMENTAL FUNDS	\$	2,030,255
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		<u>1,347,545</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>3,377,800</u></u>

See accompanying notes to financial statements

VILLAGE OF HILLCREST, ILLINOIS

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

For the Year Ended June 30, 2020

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
<b>REVENUES COLLECTED</b>			
Taxes			
Property taxes	\$ 34,803	\$ -	\$ 34,803
Replacement tax	985	-	985
Road and bridge tax	16,763	-	16,763
Sales tax	228,435	-	228,435
Local use tax	46,401	-	46,401
Video gaming tax	25,265	-	25,265
Telecommunications tax	13,221	-	13,221
Cannabis Tax	328	-	328
Utility Tax	35,691	-	35,691
Income tax	130,424	-	130,424
Intergovernmental	638	63,921	64,559
License and permits	18,279	-	18,279
Investment income	5,279	445	5,724
Miscellaneous	519	-	519
<b>Total revenues collected</b>	<b>557,031</b>	<b>64,366</b>	<b>621,397</b>
<b>EXPENDITURES DISBURSED</b>			
Current			
General government	174,603	-	174,603
Highways and streets	51,585	41,697	93,282
Culture and recreation	7,353	-	7,353
<b>Total expenditures disbursed</b>	<b>233,541</b>	<b>41,697</b>	<b>275,238</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>323,490</b>	<b>22,669</b>	<b>346,159</b>
FUND BALANCES, JULY 1	1,519,981	164,115	1,684,096
FUND BALANCES, JUNE 30	<u>\$ 1,843,471</u>	<u>\$ 186,784</u>	<u>\$ 2,030,255</u>

See accompanying notes to financial statements

VILLAGE OF HILLCREST, ILLINOIS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES RECEIVED, EXPENDITURES DISBURSED, AND CHANGES IN FUND  
BALANCES TO THE GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2020

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	346,159
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets acquired in this fiscal year are reported as capital assets on the statement of net position and expenditures on the statement of revenues received, expenditures disbursed, and changes in fund balances		-
Depreciation on capital assets is reported as an expense in the statement of activities		<u>(4,438)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>341,721</u></u>

See accompanying notes to financial statements

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION  
 MODIFIED CASH BASIS  
 ENTERPRISE FUND

June 30, 2020

	<u>Utility Fund</u>
<b>CURRENT ASSETS</b>	
Cash and investments	\$ 113,702
Total current assets	<u>113,702</u>
<b>LONG-TERM ASSETS</b>	
Depreciable, net of accumulated depreciation	<u>1,622,430</u>
Total long-term assets	<u>1,622,430</u>
Total assets	<u><u>\$ 1,736,132</u></u>
<b>CURRENT LIABILITIES</b>	
Customer deposits	5,525
Current portion of bonds payable	<u>40,423</u>
Total current liabilities	<u>45,948</u>
<b>LONG-TERM LIABILITIES</b>	
Long-term portion of bonds payable	<u>522,115</u>
Total long-term liabilities	<u>522,115</u>
Total liabilities	<u>568,063</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,059,892
Unrestricted	<u>108,177</u>
Total net position	<u>1,168,069</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,736,132</u></u>

See accompanying notes to financial statements

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - MODIFIED CASH BASIS  
ENTERPRISE FUND

For the Year Ended June 30, 2020

	<u>Utility Fund</u>
<b>OPERATING REVENUES COLLECTED</b>	
User fees	\$ 306,140
Miscellaneous income	<u>1,025</u>
Total operating revenues collected	<u>307,165</u>
<b>OPERATING EXPENSES</b>	
Repairs and maintenance	9,327
Chemicals and testing supplies	12,288
Supplies	7,300
Payroll expenses	51,868
Postage	2,548
Office supplies	1,219
Utilities	12,850
Engineering and professional fees	46,119
Contracted garbage removal	73,145
Sewer charges	13,948
Depreciation	89,948
Miscellaneous	<u>2,932</u>
Total operating expenses	<u>323,492</u>
OPERATING INCOME (LOSS)	<u>(16,327)</u>
<b>NONOPERATING REVNEUES (EXPENSES)</b>	
Investment income	1
Debt service - interest expense	<u>(22,432)</u>
Total nonoperating revenues (expenses)	<u>(22,431)</u>
CHANGE IN NET POSITION	(38,758)
NET POSITION, JULY 1	<u>1,206,827</u>
NET POSITION, JUNE 30	<u><u>\$ 1,168,069</u></u>

See accompanying notes to financial statements

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF CASH FLOWS  
ENTERPRISE FUND

For the Year Ended June 30, 2020

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 306,475
Payments to suppliers	(181,676)
Payments to employees	<u>(51,868)</u>
Net cash from operating activities	<u>72,931</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
None	<u>-</u>
Net cash from noncapital financing activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal repayment on debt	(38,846)
Interest repayment on debt	(22,432)
Purchase of capital assets	<u>(53,335)</u>
Net cash from capital and related financing activities	<u>(114,613)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1</u>
Net cash from investing activities	<u>1</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(41,681)
CASH AND CASH EQUIVALENTS, JULY 1	<u>155,383</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 113,702</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (16,327)
Adjustments to reconcile operating income (loss) to net cash from operating activities	
Change in customer deposits	(690)
Depreciation	<u>89,948</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 72,931</u>

See accompanying notes to financial statements



VILLAGE OF HILLCREST, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Hillcrest, Illinois (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as GAAP), except as described in Note 1(d). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the other significant accounting policies:

a. Reporting Entity

The Village is a municipal corporation governed by an elected president and a six-member board of trustees. As required by generally accepted accounting principles, these financial statements present the Village (the primary government) and its component units.

Based on the criteria of GASB Statement No 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, there are no component units for which the Village is considered to be financially accountable for.

b. Fund Accounting

The Village uses funds to report on its financial position – modified cash basis and changes in its financial position – modified cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into the following categories: governmental and proprietary.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds), the funds committed, restricted or assigned for the servicing of long-term debt (debt service funds) and the management of funds held in trust where the interest earnings can be used for governmental services (permanent fund). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

VILLAGE OF HILLCREST, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position – modified cash basis and the statement of activities – modified cash basis) report information on all of the nonfiduciary activities of the Village. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities – modified cash basis demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

The General Fund is the general operating fund of the Village and is used to account for all financial resources of the Village unless required to be accounted for in another fund.

The Motor Fuel Tax Fund is used to account for revenues derived from a motor fuel taxes and expenditures for highway and street construction and maintenance.

The Village reports the following major proprietary funds:

The Water Fund accounts for the provision of water services to the residents and businesses of the Village financed by user fees.

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and the enterprise fund are reported using the current financial resources measurement focus and the modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. Revenues are recorded at the time of receipt by the Village. Expenses are recorded when the funds are disbursed. Accordingly, the financial statements are not intended to present financial position and changes in financial position in conformity with GAAP. Operating revenues collected/expenditures paid include all revenues/ expenditures directly related to providing enterprise fund services. Incidental revenues/expenditures are reported as nonoperating.

Governmental fund financial statements are reported using the current financial resources measurement focus and the cash basis of accounting. Revenues are recorded at the time of receipt by the Village. Expenditures are recorded when the funds are disbursed. Accordingly, the financial statements are not intended to present financial position and results of operations in conformity with GAAP.

VILLAGE OF HILLCREST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, storm water), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Equipment	7
Vehicles	5-7
Other improvements	10-15
Buildings	40
Road improvements	10
Infrastructure	40

f. Long-term Liabilities

Long-term liabilities are reported in the government-wide financial statements as liabilities. The governmental fund financial statements do not report long-term liabilities because they do not require the use of current financial resources. There were no long-term liabilities recognized for governmental activities at June 30, 2020.

g. Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. None of the restricted fund balance result from enabling legislation adopted by the Village. Committed fund balance is constrained by formal actions of the Village's Board, which is considered the Village's highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Board. Assigned fund balance represents amounts constrained by the Village's intent to use them for a specific purpose. The authority to assign fund balance remains with the Board. Any residual fund balance is reported as unassigned.

The Village's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the Village considers committed funds to be expended first followed by assigned and then unassigned funds.

The Village has not established fund balance reserve policies for their governmental funds.

VILLAGE OF HILLCREST, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Fund Balance/Net Position (continued)

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. None of the Village's net position is restricted as a result of enabling legislation adopted by the Village.

h. Property Taxes

The Village's property tax is levied each year, on all taxable real property located in the Village, on or before the second Tuesday in December. Property taxes attach as an enforceable lien on property as of the January 1 prior to levy passage. Property taxes are payable in two installments in early June and September of the year following passage of the levy. The Village receives significant distributions of tax receipts approximately one month after these due dates. The Village also receives one-half the road and bridge taxes, which townships levy.

The Property Tax Extension Limitation Law imposes mandatory property tax limitations on the ability of taxing districts in Illinois to raise revenues through unlimited property tax increases. The increase in property tax extensions is limited to the lesser of 5% or the percentage increase in the Consumer Price Index for all Urban Consumers. The amount of the limitation may be adjusted for new property added or annexed to the tax base or due to voter approved increases.

j. Cash and Investments

For the purpose of reporting cash and cash equivalents, the Village considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Village considers certificates of deposit with a maturity of more than three months when purchased to be investments.

2. LEGAL DEBT MARGIN

The Village's aggregate indebtedness is subject to a statutory limitation of 8.625% of its equalized assessed value at December 31, 2019. At June 30, 2020, the maximum allowed indebtedness of the Village is \$1,442,851 based on an assessed valuation of \$16,728,710. At June 30, 2020, the remaining legal debt margin of the Village was \$1,442,851.

VILLAGE OF HILLCREST, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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3. PROPERTY TAX CALENDAR

The following information gives significant dates on the property tax calendar of the Village:

- Property tax lien date is January 1
- The annual tax levy ordinance for 2018 was passed in November or December 2018
- Property taxes are due to the County Collector in two installments, June 1 and September 1
- Significant amounts of property taxes for 2018 were distributed to the Village during June, July, September, October, and November 2019
- The annual tax levy ordinance for 2019 was passed in November or December 2019
- Significant amounts of property taxes for 2019 will be distributed to the Village during June, July, September, October, and November 2020

4. CASH AND INVESTMENTS

The Village may invest in all investments allowed by Illinois Compiled Statutes. These include deposits/investments insured by the Federal Deposit Insurance Corporation (FDIC), obligations or securities guaranteed by the United States of America, direct obligations of any bank as defined by the Illinois Banking Act, certain money market mutual funds, and the Illinois Funds (a money market fund created by the State legislature under the control of the State Treasurer that maintains a \$1 share value).

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio.

Deposits with Financial Institutions

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. At June 30, 2020 none of the Village's deposits are uninsured or uncollateralized, and therefore deposits are not exposed to custodial credit risk. The Village has no foreign currency risk for deposits at June 30, 2020.

Investments

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Village limits its exposure to credit risk by pre-qualifying all financial institutions and other intermediaries with which the Village conducts business. At June 30, 2020 all of the Village's cash and investments are in demand deposit accounts, money market accounts, and certificates of deposit, therefore the Village is not exposed to credit risk.

Concentration of credit risk is the risk that the Village has a high percentage of its investments invested in one type of investment. The Village places no limit on the amount the Village may invest in any one issuer. More than 5% of the Village's investments are in certificates of deposit. These investments are 100% of the Village's total investments.

VILLAGE OF HILLCREST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

4. CASH AND INVESTMENTS (Continued)

Investments (continued)

Interest rate risk is the risk that changes in 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 Village has no specific policy on interest rate risk at year end. At June 30, 2020 the Village held one certificate of deposit valued at \$40,000 with a six-month original maturity.

5. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the business-type activity of the Village for the year ended June 30, 2020:

	Balances, July 1, 2019	Additions	Reductions	Balances, June 30, 2020	Current Portion
BUSINESS-TYPE ACTIVITY					
Central Bank note	601,384	-	38,847	562,537	40,423
TOTAL BUSINESS-TYPE ACTIVITY	<u>\$ 601,384</u>	<u>\$ -</u>	<u>\$ 38,847</u>	<u>\$ 562,537</u>	<u>\$ 40,423</u>

Business-type activity long-term debt is comprised of the following issues:

In October 2016, the Village entered into a 10-year loan with Central Bank, formerly known as The First National Bank and Trust Co of Rochelle, in the amount of \$698,166 with an interest rate of 3.78% for the purpose of the water/sewer improvements. Monthly payments of \$5,107 begin November 19, 2016 with a single balloon payment of the entire unpaid balance of principal and interest will be due October 19, 2026. On these financial statements, this note is reported in the Water and Sewer Fund and this fund is expected to repay the note.

Amounts required to be paid for the retirement of principal and interest is as follows:

Fiscal Year Ending June 30,	Central Bank Note		
	Principal	Interest	Total
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	47,107	14,172	61,279
2026	344,072	16,035	360,107
TOTAL	<u>\$ 562,537</u>	<u>\$ 103,965</u>	<u>\$ 666,502</u>

The Village's aggregate indebtedness is subject to a statutory limitation of 8.625% of its equalized assessed value at December 31, 2019. At June 30, 2020, the maximum allowed indebtedness of the Village is \$1,442,851 based on an assessed valuation of \$16,728,710. At June 30, 2020, the remaining legal debt margin of the Village was \$1,442,851.

VILLAGE OF HILLCREST, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets not being depreciated	1,322,392	-	-	-	1,322,392
Land					
Capital assets being depreciated					
Land improvement	21,250	-	-	-	21,250
Buildings and improvements	67,513	-	-	-	67,513
Equipment and vehicles	145,431	-	-	-	145,431
Total capital assets being depreciated	234,194	-	-	-	234,194
Less accumulated depreciation for					
Land improvement	12,219	1,062	-	-	13,281
Buildings and improvements	46,953	3,376	-	-	50,329
Equipment and vehicles	145,431	-	-	-	145,431
Total accumulated depreciation	204,603	4,438	-	-	209,041
Total capital assets being depreciated, net	29,591	(4,438)	-	-	25,153
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<b>\$ 1,351,983</b>	<b>\$ (4,438)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,347,545</b>
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>BUSINESS-TYPE ACTIVITY</b>					
Capital assets not being depreciated					
Land	-	53,335	-	-	53,335
Capital assets being depreciated					
Sewer infrastructure	1,595,788	-	-	-	1,595,788
Water infrastructure	521,976	-	-	-	521,976
Water meters	158,426	-	-	-	158,426
Equipment and vehicles	19,445	-	-	-	19,445
Total capital assets being depreciated	2,328,487	-	-	-	2,328,487
Less accumulated depreciation for					
Sewer infrastructure	95,747	63,832	-	-	159,579
Water infrastructure	471,465	18,381	-	-	489,846
Water meters	91,887	6,337	-	-	98,224
Equipment and vehicles	10,345	1,400	-	-	11,745
Total accumulated depreciation	669,444	89,950	-	-	759,394
Total capital assets being depreciated, net	1,659,043	(89,950)	-	-	1,569,093
<b>BUSINESS-TYPE ACTIVITY CAPITAL ASSETS, NET</b>	<b>\$ 1,659,043</b>	<b>\$ (36,615)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,622,428</b>

VILLAGE OF HILLCREST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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6. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the functions as follows:

Governmental Activities	
General government	4,438
Highways and streets	-
	<hr/>
TOTAL	<u>\$ 4,438</u>
Business-Type Activities	
Water and sewer	89,950
	<hr/>
TOTAL	<u>\$ 89,950</u>

7. RISK MANAGEMENT

The Village is exposed to various risks of loss, including but not limited to, property and casualty, general and public officials' liability, and workers' compensation. The Village purchases commercial insurance. There are annual deductibles for the plans ranging from \$500 to \$25,000. The Village's policy is to record any related expenditures in the year in which they pay the deductible. The Village is not aware of any additional deductibles that may be owed as of June 30, 2020. The Village has not made any significant changes in coverage nor did claims exceed coverage in the current fiscal year or the two prior years.

8. PENSION AND RETIREMENT SYSTEM

**Illinois Municipal Retirement Fund**

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

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

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



VILLAGE OF HILLCREST, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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8. PENSION AND RETIREMENT SYSTEM (CONTINUED)

**Illinois Municipal Retirement Fund (continued)**

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
- ½ of the increase in the Consumer Price Index of the original pension amount

Employees Covered Benefit Terms – As of December 31, 2019, the following employees were covered by the benefit terms:

	<b>IMRF</b>
Retirees and Beneficiaries currently receiving benefits	3
Inactive Plan Members entitled to but not yet receiving benefits	4
Active Plan Members	1
<b>Total</b>	<b>8</b>

Contributions – As set by statute, the Village’s Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village’s annual contribution rate for calendar year 2019 and 2020 was 2.00% and 2.85%, respectively. For the fiscal year ended June 30, 2020, the Village contributed \$1,761 to the plan. The Village 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.



VILLAGE OF HILLCREST, ILLINOIS

SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED,  
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS -  
BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>REVENUES COLLECTED</b>				
Taxes				
Property taxes	\$ 55,000	\$ 55,000	\$ 34,803	\$ (20,197)
Replacement tax	900	900	985	85
Road and bridge tax	11,500	11,500	16,763	5,263
Sales tax	215,000	215,000	228,435	13,435
Local use tax	35,000	35,000	46,401	11,401
Video gaming tax	35,000	35,000	25,265	(9,735)
Telecommunications tax	13,000	13,000	13,221	221
Cannabis Tax	-	-	328	328
Utility Tax	25,000	25,000	35,691	10,691
Income tax	148,000	148,000	130,424	(17,576)
Intergovernmental	-	-	638	638
License and permits	25,500	25,500	18,279	(7,221)
Investment income	3,500	3,500	5,279	1,779
Miscellaneous	250	250	519	269
<b>Total revenues collected</b>	<b>567,650</b>	<b>567,650</b>	<b>557,031</b>	<b>(10,619)</b>
<b>EXPENDITURES DISBURSED</b>				
Current				
General Government				
Administration				
Salaries	29,280	29,280	26,895	(2,385)
Ordinance salaries	2,600	2,600	2,520	(80)
Engineering	15,000	35,000	33,870	(1,130)
Legal	25,000	25,000	6,650	(18,350)
Data processing	3,500	2,000	1,452	(548)
Other professional services	6,500	10,000	9,652	(348)
Postage	2,000	2,000	1,444	(556)
Telephone	200	200	14	(186)
Internet	5,000	5,000	4,679	(321)
Dues	2,500	2,500	936	(1,564)
Travel	1,000	1,000	587	(413)
Training	5,000	5,000	2,250	(2,750)
Publications	3,600	3,600	722	(2,878)
Ordinance publications	3,800	3,800	450	(3,350)
Insurance	20,000	20,000	13,927	(6,073)
Rentals	1,700	1,700	1,026	(674)
Office expense	5,500	5,500	1,735	(3,765)
Supplies	2,500	2,500	1,277	(1,223)
Miscellaneous	23,000	17,450	13,373	(4,077)
<b>Total administration</b>	<b>157,680</b>	<b>174,130</b>	<b>123,459</b>	<b>(50,671)</b>

(See independent auditor's report)

VILLAGE OF HILLCREST, ILLINOIS

SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED,  
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS -  
BUDGET AND ACTUAL (CONTINUED)  
GENERAL FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES DISBURSED (continued)				
Current (continued)				
General Government (continued)				
Finance				
Salaries	15,600	17,600	12,694	(4,906)
Worker's compensation	7,000	7,000	6,464	(536)
Payroll taxes	9,000	9,000	5,605	(3,395)
IMRF contribution	2,000	2,000	1,059	(941)
Accounting service - audit	14,000	14,000	12,875	(1,125)
Other professional services	6,600	4,600	-	(4,600)
Bank service charge	100	100	38	(62)
Miscellaneous	200	200	1	(199)
Total finance	54,500	54,500	38,736	(15,764)
Building and Zoning				
Salaries	-	2,600	2,520	(80)
Professional services	10,000	10,000	9,888	(112)
Total building and zoning	10,000	12,600	12,408	(192)
Total general government	222,180	241,230	174,603	(66,627)
Highways and streets				
Salaries	55,600	30,600	25,591	(5,009)
Building maintenance	5,500	5,500	2,809	(2,691)
Equipment maintenance	7,500	7,500	605	(6,895)
Vehicle maintenance	2,500	2,500	1,379	(1,121)
Street maintenance	4,000	4,000	1,285	(2,715)
Snow removal	10,000	2,000	1,905	(95)
Telephone	1,450	2,000	1,919	(81)
Training	1,500	1,400	-	(1,400)
Utilities	10,000	10,000	7,594	(2,406)
Rentals	3,000	3,000	-	(3,000)
Building supplies	1,900	1,900	525	(1,375)
Equipment supplies	3,000	3,000	629	(2,371)
Vehicle supplies	3,000	3,000	1,592	(1,408)
Street supplies	4,000	4,000	2,398	(1,602)
Operating supplies	1,200	1,200	311	(889)
Small tools	1,500	1,500	295	(1,205)
Automotive fuel and oil	3,000	3,000	2,748	(252)
Total highways and streets	118,650	86,100	51,585	(34,515)

(See independent auditor's report)

VILLAGE OF HILLCREST, ILLINOIS

SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED,  
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS -  
BUDGET AND ACTUAL (CONTINUED)  
GENERAL FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES DISBURSED (continued)				
Current (continued)				
Health and welfare				
Salaries	2,600	2,600	600	(2,000)
Warning system	2,000	2,500	2,253	(247)
Spraying and equipment	2,500	2,500	2,107	(393)
Creek cleaning	2,000	2,000	18	(1,982)
Tree removal	2,500	2,500	1,953	(547)
Utilities	1,600	1,600	422	(1,178)
Total health and welfare	13,200	13,700	7,353	(6,347)
Capital outlay	107,000	87,000	-	(87,000)
Total expenditures disbursed	461,030	428,030	233,541	(194,489)
NET CHANGE IN FUND BALANCE	<u>\$ 106,620</u>	<u>\$ 139,620</u>	323,490	<u>\$ 183,870</u>
FUND BALANCE, JULY 1			<u>1,519,981</u>	
FUND BALANCE, JUNE 30			<u>\$ 1,843,471</u>	

(See independent auditor's report)

VILLAGE OF HILLCREST, ILLINOIS

SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED,  
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS -  
BUDGET AND ACTUAL  
MOTOR FUEL TAX FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Actual	Variance Over (Under)
<b>REVENUES COLLECTED</b>			
Motor fuel tax	\$ 33,500	\$ 49,356	\$ 15,856
Capital bill grant	-	14,565	
Investment income	500	445	(55)
Total revenues collected	<u>34,000</u>	<u>64,366</u>	<u>15,801</u>
<b>EXPENDITURES DISBURSED</b>			
Current			
Highways and streets			
Engineering	20,000	1,435	(18,565)
Maintenance services	38,000	35,878	(2,122)
Supplies	16,000	4,384	(11,616)
Total highways and streets	<u>74,000</u>	<u>41,697</u>	<u>(32,303)</u>
Total expenditures disbursed	<u>74,000</u>	<u>41,697</u>	<u>(32,303)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (40,000)</u>	22,669	<u>\$ 48,104</u>
FUND BALANCE, JULY 1		<u>164,115</u>	
FUND BALANCE, JUNE 30		<u>\$ 186,784</u>	

(See independent auditor's report)

VILLAGE OF HILLCREST, ILLINOIS  
NOTES TO SUPPLEMENTARY INFORMATION

June 30, 2020

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1. LEGAL COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a cash basis of accounting which is not consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted (at the fund level) for all of the funds on the cash basis with a line item budget by fund. The annual appropriated budget is legally enacted and provides for a legal level of control at the fund level.

The Village adopted its annual budget and appropriation ordinance for the year ended June 30, 2020 at its October 23, 2019 meeting. The budget was amended at the June 10, 2020 meeting.

The line item budget is used by management for control purposes in the day-to-day operations. The Board of Trustee may make transfers between line items while retaining the total appropriation for the fund. The Board of Trustees also may increase the appropriation amount by following the same procedures as required for the original appropriation. The amounts shown on the financial statements reflect the original and final budget as adopted by the Board of Trustees.

Budget revenues are based on estimates approved by the Board of Trustees.

All funds were within legal compliance with the budget for the year ended June 30, 2020.

VILLAGE OF HILLCREST, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - MODIFIED CASH BASIS -  
BUDGET AND ACTUAL  
UTILITY FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Actual	Variance Over (Under)
<b>OPERATING REVENUES COLLECTED</b>			
Charges for services			
User fees	\$ 320,000	\$ 306,140	\$ (13,860)
Miscellaneous income	1,900	1,025	(875)
Total operating revenues collected	<u>321,900</u>	<u>307,165</u>	<u>(14,735)</u>
<b>OPERATING EXPENSES</b>			
Repairs and maintenance	33,600	9,327	(24,273)
Chemicals and testing supplies	16,000	12,288	(3,712)
Supplies	12,000	7,300	(4,700)
Payroll expenses	56,490	51,868	(4,622)
Postage	2,600	2,548	(52)
Office supplies	1,750	1,219	(531)
Utilities	14,750	12,850	(1,900)
Engineering and professional fees	56,400	46,119	(10,281)
Contracted garbage removal	82,500	73,145	(9,355)
Sewer charges	14,000	13,948	(52)
Depreciation	28,000	89,948	61,948
Miscellaneous	9,000	2,932	(6,068)
Total operating expenses	<u>327,090</u>	<u>323,492</u>	<u>(3,598)</u>
OPERATING INCOME (LOSS)	<u>(5,190)</u>	<u>(16,327)</u>	<u>(11,137)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	-	1	1
Debt service - interest expense	(23,000)	(22,432)	568
Total nonoperating revenues (expenses)	<u>(23,000)</u>	<u>(22,431)</u>	<u>569</u>
NET INCOME (LOSS)	<u>\$ (28,190)</u>	<u>(38,758)</u>	<u>\$ (10,568)</u>
FUND BALANCE, JULY 1		<u>1,206,827</u>	
FUND BALANCE, JUNE 30		<u>\$ 1,168,069</u>	

(See independent auditor's report)