

VILLAGE OF HILLCREST, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended
June 30, 2021

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, 2021, 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, 2021, 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.

Newkirk + Associates, Inc.

Plano, Illinois

November 2, 2021

BASIC FINANCIAL STATEMENTS

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 2,546,917	\$ 178,370	\$ 2,725,287
Capital assets being depreciated (net of accumulated depreciation)	1,351,101	1,546,946	2,898,047
Total assets	\$ 3,898,018	\$ 1,725,316	\$ 5,623,334
LIABILITIES			
Payroll liabilities	126	-	126
Customer deposits	-	5,100	5,100
Long-term debt due in less than one year	-	41,999	41,999
Long-term debt due in more than one year	-	480,115	480,115
Total liabilities	126	527,214	527,340
NET POSITION			
Net investment in capital assets	1,351,101	1,019,732	2,370,833
Restricted for			
Highways and streets	247,008	-	247,008
Unrestricted	2,299,783	178,370	2,478,153
Total net position	3,897,892	1,198,102	5,095,994
TOTAL LIABILITIES AND NET POSITION	\$ 3,898,018	\$ 1,725,316	\$ 5,623,334

See accompanying notes to financial statements

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 148,245	\$ 25,063	\$ 19,351	\$ -
Highways and streets	110,636	-	-	43,694
Culture and recreation	8,549	-	-	-
Total governmental activities	267,430	25,063	19,351	43,694
Business-Type Activities				
Water	326,236	319,542	-	35,602
Total business-type activities	326,236	319,542	-	35,602
TOTAL PRIMARY GOVERNMENT	\$ 593,666	\$ 344,605	\$ 19,351	\$ 79,296

See accompanying notes to financial statements

	Net (Expense) Revenue and Change in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	\$ (103,831)	\$ -	\$ (103,831)
	(66,942)	-	(66,942)
	(8,549)	-	(8,549)
	(179,322)	-	(179,322)
	-	28,908	28,908
	-	28,908	28,908
	(179,322)	28,908	(150,414)
General Revenues			
Taxes			
Property taxes	71,024	-	71,024
Replacement tax	1,249	-	1,249
Road and bridge tax	17,428	-	17,428
Sales tax	255,019	-	255,019
Local use tax	59,653	-	59,653
Video gaming tax	21,617	-	21,617
Telecommunications tax	10,246	-	10,246
Utility tax	34,629	-	34,629
Cannibus tax	1,301	-	1,301
Motor fuel tax	48,695	-	48,695
Income taxes	172,250	-	172,250
Investment income	4,765	-	4,765
Miscellaneous	1,538	1,125	2,663
Total	699,414	1,125	700,539
CHANGE IN NET POSITION	520,092	30,033	550,125
NET POSITION, JULY 1	3,377,800	1,168,069	4,545,869
NET POSITION, JUNE 30	\$ 3,897,892	\$ 1,198,102	\$ 5,095,994

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, 2021

	General	Motor Fuel Tax Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 2,299,909	\$ 247,008	\$ 2,546,917
Due from other funds	-	-	-
TOTAL ASSETS	\$ 2,299,909	\$ 247,008	\$ 2,546,917
LIABILITIES			
LIABILITIES			
Current Liabilities			
Payroll liabilities	126	-	126
TOTAL LIABILITIES	\$ 126	\$ -	\$ 126
FUND BALANCE			
FUND BALANCE			
Restricted			
Highways and streets	-	247,008	247,008
Unrestricted			
Unassigned	2,299,783	-	2,299,783
TOTAL FUND BALANCE	\$ 2,299,783	\$ 247,008	\$ 2,546,791

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, 2021

FUND BALANCES OF GOVERNMENTAL FUNDS	\$	2,546,791
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>1,351,101</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>3,897,892</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, 2021

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
REVENUES COLLECTED			
Property taxes	\$ 71,024	\$ -	\$ 71,024
Replacement tax	1,249	-	1,249
Road and bridge tax	17,428	-	17,428
Sales tax	255,019	-	255,019
Local use tax	59,653	-	59,653
Video gaming tax	21,617	-	21,617
Telecommunications tax	10,246	-	10,246
Canabis tax	1,301	-	1,301
Utility tax	34,629	-	34,629
Income tax	172,250	-	172,250
Intergovernmental	19,351	43,694	63,045
Motor fuel tax	-	48,695	48,695
Investment income	4,447	318	4,765
License and permits	25,063	-	25,063
Miscellaneous	1,538	-	1,538
Total revenues collected	694,815	92,707	787,522
EXPENDITURES DISBURSED			
Current			
General government	151,801	-	151,801
Highways and streets	78,153	32,483	110,636
Culture and recreation	8,549	-	8,549
Total expenditures disbursed	238,503	32,483	270,986
NET CHANGE IN FUND BALANCES	456,312	60,224	516,536
FUND BALANCES, JULY 1	1,843,471	186,784	2,030,255
FUND BALANCES, JUNE 30	<u>\$ 2,299,783</u>	<u>\$ 247,008</u>	<u>\$ 2,546,791</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, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	516,536
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		8,199
Depreciation on capital assets is reported as an expense in the statement of activities		<u>(4,643)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>520,092</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, 2021

	<u>Utility Fund</u>
CURRENT ASSETS	
Cash and investments	\$ 178,370
Total current assets	<u>178,370</u>
LONG-TERM ASSETS	
Depreciable, net of accumulated depreciation	<u>1,546,946</u>
Total long-term assets	<u>1,546,946</u>
Total assets	<u><u>\$ 1,725,316</u></u>
CURRENT LIABILITIES	
Customer deposits	5,100
Current portion of bonds payable	<u>41,999</u>
Total current liabilities	<u>47,099</u>
LONG-TERM LIABILITIES	
Long-term portion of bonds payable	<u>480,115</u>
Total long-term liabilities	<u>480,115</u>
Total liabilities	<u>527,214</u>
NET POSITION	
Net investment in capital assets	1,019,732
Unrestricted	<u>178,370</u>
Total net position	<u>1,198,102</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,725,316</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, 2021

	<u>Utility Fund</u>
OPERATING REVENUES COLLECTED	
User fees	\$ 319,542
Miscellaneous income	<u>1,125</u>
Total operating revenues collected	<u>320,667</u>
OPERATING EXPENSES	
Repairs and maintenance	6,282
Chemicals and testing supplies	12,637
Supplies	616
Payroll expenses	46,156
Postage	2,331
Office supplies	-
Utilities	14,071
Engineering and professional fees	48,921
Contracted garbage removal	74,388
Sewer charges	15,505
Depreciation	80,785
Miscellaneous	<u>3,688</u>
Total operating expenses	<u>305,380</u>
OPERATING INCOME (LOSS)	<u>15,287</u>
NONOPERATING REVNEUES (EXPENSES)	
Intergovernmental grant revenue	35,602
Investment income	-
Debt service - interest expense	<u>(20,856)</u>
Total nonoperating revenues (expenses)	<u>14,746</u>
CHANGE IN NET POSITION	30,033
NET POSITION, JULY 1	<u>1,168,069</u>
NET POSITION, JUNE 30	<u>\$ 1,198,102</u>

See accompanying notes to financial statements

VILLAGE OF HILLCREST, ILLINOIS

STATEMENT OF CASH FLOWS
ENTERPRISE FUND

For the Year Ended June 30, 2021

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 320,242
Payments to suppliers	(178,439)
Payments to employees	<u>(46,156)</u>
Net cash from operating activities	<u>95,647</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	(40,424)
Interest repayment on debt	(20,856)
Intergovernmental Grants	35,602
Purchase of capital assets	<u>(5,301)</u>
Net cash from capital and related financing activities	<u>(30,979)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>-</u>
Net cash from investing activities	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,668
CASH AND CASH EQUIVALENTS, JULY 1	<u>113,702</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 178,370</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ 15,287
Adjustments to reconcile operating income (loss) to net cash from operating activities	
Change in customer deposits	(425)
Depreciation	<u>80,785</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 95,647</u>

See accompanying notes to financial statements

VILLAGE OF HILLCREST, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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)

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 Utility Fund accounts for the provision of water, sewer, and garbage 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)

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, 2021.

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)

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.

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, 2020. At June 30, 2021, the maximum allowed indebtedness of the Village is \$1,479,316 based on an assessed valuation of \$17,151,490. At June 30, 2021, the remaining legal debt margin of the Village was \$1,479,316 as it had no bonded debt.

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 2019 was passed on November 15, 2019
- Property taxes are due to the County Collector in two installments, June 1 and September 1
- Significant amounts of property taxes for 2019 were distributed to the Village during June, July, August, September, October, and November 2020
- The annual tax levy ordinance for 2020 was passed on October 14, 2020
- Significant amounts of property taxes for 2020 will be distributed to the Village during June, July, August, September, October, and November 2021

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

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, 2021 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, 2021.

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, 2021, 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. The Village had no investments at June 30, 2021.

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, 2021, the Village had no investments and thus was not exposed to interest rate risk.

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, 2021:

	Balances, July 1, 2020	Additions	Reductions	Balances, June 30, 2021	Current Portion
BUSINESS-TYPE ACTIVITY					
Central Bank Note	562,537	-	40,423	522,114	42,000
TOTAL BUSINESS-TYPE ACTIVITY	\$ 562,537	\$ -	\$ 40,423	\$ 522,114	\$ 42,000

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

5. LONG-TERM DEBT (CONTINUED)

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
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	\$ 522,114	\$ 83,109	\$ 605,223

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated					
Land	1,322,392	-	-	-	1,322,392
Capital assets being depreciated					
Land Improvement	21,250	-	-	-	21,250
Buildings and improvements	67,513	8,199	-	-	75,712
Equipment and vehicles	145,431	-	-	-	145,431
Total capital assets being depreciated	234,194	8,199	-	-	242,393
Less accumulated depreciation for					
Land improvement	13,281	1,063	-	-	14,344
Buildings and improvements	50,329	3,581	-	-	53,910
Equipment and vehicles	145,431	-	-	-	145,431
Total accumulated depreciation	209,041	4,644	-	-	213,685
Total capital assets being depreciated, net	25,153	3,555	-	-	28,708
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	\$ 1,347,545	\$ 3,555	\$ -	\$ -	\$ 1,351,100

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

6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
BUSINESS-TYPE ACTIVITY					
Capital assets not being depreciated					
Land	53,335	-	-	-	53,335
Capital assets being depreciated					
Sewer infrastructure	1,595,788	-	-	-	1,595,788
Water infrastructure	554,828	-	-	-	554,828
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	159,579	63,831	-	-	223,410
Water infrastructure	489,846	9,214	-	-	499,060
Water meters	98,224	6,337	-	-	104,561
Equipment and vehicles	11,745	1,400	-	-	13,145
Total accumulated depreciation	759,394	80,782	-	-	840,176
Total capital assets being depreciated, net	1,569,093	(80,782)	-	-	1,488,311
BUSINESS-TYPE ACTIVITY					
CAPITAL ASSETS, NET	\$ 1,622,428	\$ (80,782)	\$ -	\$ -	\$ 1,541,646

Depreciation expense was charged to the functions as follows:

Governmental Activities	
General government	4,644
Highways and streets	-
TOTAL	<u>\$ 4,644</u>
Business-Type Activities	
Water	<u>80,782</u>
TOTAL	<u>\$ 80,782</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, 2021. 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.

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

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.

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

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

Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired **on or after** January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- ½ of the increase in the Consumer Price Index of the original pension amount

Employees Covered Benefit Terms – As of December 31, 2020, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	3
Inactive Plan Members entitled to but not yet receiving benefits	4
Active Plan Members	2
Total	9

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

8. PENSION AND RETIREMENT SYSTEM (CONTINUED)

Illinois Municipal Retirement Fund (continued)

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 2020 and 2021 was 2.85% and 0.83%, respectively. For the fiscal year ended June 30, 2021, the Village contributed \$1,515 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.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of this report. On August 26, 2021 the note payable discussed in Note 5 was refinanced with Central Bank as a new 10-year loan in the amount of \$515,245 with an interest rate of 2.25%. Monthly payments of \$4,804 begin September 19, 2021 with a single balloon payment of the entire unpaid balance of principal and interest due on August 19, 2031.

SUPPLEMENTARY INFORMATION

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, 2021

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES COLLECTED			
Taxes			
Property taxes	\$ -	\$ 71,024	\$ 71,024
Replacement tax	-	1,249	1,249
Road and bridge tax	-	17,428	17,428
Sales tax	-	255,019	255,019
Local use tax	-	59,653	59,653
Video gaming tax	-	21,617	21,617
Telecommunications tax	-	10,246	10,246
Cannabis tax	-	1,301	1,301
Utility tax	-	34,629	34,629
Income tax	-	172,250	172,250
Intergovernmental	-	19,351	19,351
License and permits	-	25,063	25,063
Investment income	-	4,447	4,447
Miscellaneous income	-	1,538	1,538
	<hr/>		
Total revenues collected	-	694,815	694,815
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EXPENDITURES DISBURSED			
Current			
General Government			
Administration			
Salaries	28,500	23,606	(4,894)
Ordinance salaries	2,600	2,400	(200)
Engineering	40,000	7,424	(32,576)
Legal	20,000	5,125	(14,875)
Data processing	2,000	1,514	(486)
Other professional services	11,000	14,437	3,437
Postage	2,000	1,355	(645)
Telephone	200	-	(200)
Internet	5,000	4,679	(321)
Dues	2,500	2,164	(336)
Travel	1,000	226	(774)
Training	3,000	100	(2,900)
Publications	7,200	247	(6,953)
Ordinance publications	1,500	-	(1,500)
Insurance	18,000	14,219	(3,781)
Rentals	2,000	1,633	(367)
Office expense	4,000	1,561	(2,439)
Supplies	2,000	9,457	7,457
Miscellaneous	22,000	12,729	(9,271)
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Total administration	174,500	102,876	(71,624)

(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, 2021

	Original and Final Budget	Actual	Variance Over (Under)
EXPENDITURES DISBURSED (continued)			
Current (continued)			
General Government (continued)			
Finance			
Salaries	14,600	10,771	(3,829)
Worker's compensation	8,000	7,102	(898)
Payroll taxes	9,000	7,024	(1,976)
IMRF contribution	2,000	939	(1,061)
Accounting service - audit	14,000	10,450	(3,550)
Other professional services	3,000	-	(3,000)
Bank service charge	100	65	(35)
Miscellaneous	200	-	(200)
Total finance	50,900	36,351	(14,549)
Building and Zoning			
Salaries	2,600	2,400	(200)
Professional services	10,500	10,174	(326)
Total building and zoning	13,100	12,574	(526)
Total general government	238,500	151,801	(86,699)
Highways and streets			
Salaries	52,600	47,850	(4,750)
Building maintenance	5,500	1,717	(3,783)
Equipment maintenance	5,000	2,248	(2,752)
Vehicle maintenance	4,000	2,291	(1,709)
Street maintenance	4,000	71	(3,929)
Snow removal	4,500	4,060	(440)
Telephone	2,000	1,459	(541)
Training	1,000	-	(1,000)
Utilities	10,000	7,671	(2,329)
Rentals	3,000	-	(3,000)
Building supplies	1,500	480	(1,020)
Equipment supplies	3,000	278	(2,722)
Vehicle supplies	5,000	4,572	(428)
Street supplies	4,000	292	(3,708)
Operating supplies	1,200	98	(1,102)
Small tools	1,500	102	(1,398)
Automotive fuel and oil	5,500	4,964	(536)
Total highways and streets	113,300	78,153	(35,147)

(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, 2021

	Original and Final Budget	Actual	Variance Over (Under)
EXPENDITURES DISBURSED (continued)			
Current (continued)			
Health and welfare			
Salaries	2,600	2,400	(200)
Warning system	2,500	2,017	(483)
Spraying and equipment	3,300	3,101	(199)
Creek cleaning	1,200	259	(941)
Tree removal	2,500	-	(2,500)
Landfill charges	800	299	(501)
Utilities	800	473	(327)
Total health and welfare	<u>13,700</u>	<u>8,549</u>	<u>(5,151)</u>
Capital outlay	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Total expenditures disbursed	<u>415,500</u>	<u>238,503</u>	<u>(176,997)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (415,500)</u>	<u>\$ 456,312</u>	<u>\$ 871,812</u>
FUND BALANCE, JULY 1		<u>1,843,471</u>	
FUND BALANCE, JUNE 30		<u>\$ 2,299,783</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, 2021

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES COLLECTED			
Motor fuel tax	-	48,695	\$ 48,695
Capital bill grant	-	43,694	\$ 43,694
Investment income	-	318	318
Total revenues collected	-	92,707	92,707
EXPENDITURES DISBURSED			
Current			
Highways and streets			
Engineering	20,000	2,306	(17,694)
Maintenance services	40,000	27,269	(12,731)
Supplies	14,000	2,908	(11,092)
Total highways and streets	74,000	32,483	(41,517)
Total expenditures disbursed	74,000	32,483	(41,517)
NET CHANGE IN FUND BALANCE	<u>\$ (74,000)</u>	60,224	<u>\$ 134,224</u>
FUND BALANCE, JULY 1		<u>186,784</u>	
FUND BALANCE, JUNE 30		<u>\$ 247,008</u>	

(See independent auditor's report)

VILLAGE OF HILLCREST, ILLINOIS
NOTES TO SUPPLEMENTARY INFORMATION

June 30, 2021

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 November 11, 2020 meeting. There were no amendments to the budget and appropriation ordinance for the year ended June 30, 2020.

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 expended less than the total appropriation and thus were in compliance with the budget.

ENTERPRISE FUND

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, 2021

	Original and Final Budget	Actual	Variance Over (Under)
OPERATING REVENUES COLLECTED			
Charges for services			
User fees	-	319,542	\$ 319,542
Miscellaneous income	-	1,125	1,125
Total operating revenues collected	-	320,667	320,667
OPERATING EXPENSES			
Repairs and maintenance	31,600	6,282	(25,318)
Chemicals and testing supplies	18,000	12,637	(5,363)
Supplies	12,000	616	(11,384)
Payroll expenses	52,900	46,156	(6,744)
Postage	2,700	2,331	(369)
Office supplies	1,050	-	(1,050)
Utilities	16,750	14,071	(2,679)
Engineering and professional fees	57,800	48,921	(8,879)
Contracted garbage removal	77,000	74,388	(2,612)
Sewer charges	16,000	15,505	(495)
Depreciation	94,500	80,785	(13,715)
Miscellaneous	6,300	3,688	(2,612)
Total operating expenses	386,600	305,380	(81,220)
OPERATING INCOME (LOSS)	(386,600)	15,287	401,887
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental grant revenue	-	35,602	\$ 35,602
Investment income	-	-	-
Debt service - interest expense	(22,000)	(20,856)	1,144
Total nonoperating revenues (expenses)	(22,000)	14,746	36,746
NET INCOME (LOSS)	<u>\$ (408,600)</u>	30,033	<u>\$ 438,633</u>
FUND BALANCE, JULY 1		<u>1,168,069</u>	
FUND BALANCE, JUNE 30		<u>\$ 1,198,102</u>	

(See independent auditor's report)