

CITY OF HILLSBORO, ILLINOIS

Annual Financial Report

April 30, 2024

PATTON & COMPANY, P.C.

Certified Public Accountants

CITY OF HILLSBORO, ILLINOIS

Table of Contents
April 30, 2024

Independent Auditor's Report	1-3
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	4-5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	6
Statement of Activities.....	7
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	8
Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Governmental Activities in the Statement of Activities	11
Statement of Net Position - Proprietary Funds	12
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	13
Statement of Cash Flows - Proprietary Funds.....	14
Statement of Fiduciary Net Position - Fiduciary Funds	15
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	16
Notes to the Financial Statements	17-36

CITY OF HILLSBORO, ILLINOIS

Table of Contents
April 30, 2024

Required Supplementary Information

Balance Sheet - General Fund	37
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund	38
Schedules of Revenues, Expenditures and Changes in Fund Balance - (Non-GAAP) Budget and Actual - General Fund	39
Business District Tax Fund	40
Motor Fuel Tax Fund	41
Notes to Required Supplementary Information	42

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	44
Hillsboro Downtown TIF District - Schedule of Revenues, Expenditures and Changes in Fund Balance	45

Other Information

Illinois Municipal Retirement Fund - Multiyear Schedule of Changes in Net Pension Liability and Related Ratios	46
Schedule of Funding Progress	47

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Hillsboro, Illinois:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hillsboro, Illinois, as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hillsboro, Illinois, as of April 30, 2024, and the respective changes in financial position, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hillsboro, Illinois, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Hillsboro, Illinois', internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hillsboro, Illinois', ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the major funds budgetary comparison be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Supplemental Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2024, on our consideration of the City of Hillsboro, Illinois', internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hillsboro, Illinois', internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hillsboro, Illinois', internal control over financial reporting and compliance.

Pattin; Company, P.C.

October 10, 2024

Hillsboro, Illinois

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Certified Public Accountants

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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Honorable Mayor and Members of the City Council
City of Hillsboro, Illinois:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hillsboro, Illinois, as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Hillsboro, Illinois', financial statements and have issued our report thereon dated October 10, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Segregation of Duties

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

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

Effect: Transactions could be mishandled.

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

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

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

Controls Over Financial Statement Preparation

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

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

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

Cause: The City has limited resources.

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

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

Compliance and Other Matters

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

City of Hillsboro, Illinois, Response to Findings

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

Purpose of this Report

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

Pattin: Company, P.C.
October 10, 2024

Hillsboro, Illinois

BASIC FINANCIAL STATEMENTS

CITY OF HILLSBORO, ILLINOIS

**Statement of Net Position
April 30, 2024**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets and Deferred Outflows of Resources</u>			
Assets:			
Cash and cash equivalents	\$ 6,134,072	\$ 3,618,565	\$ 9,752,637
Restricted cash and cash equivalents	-	1,036,279	1,036,279
Investments	-	-	-
Receivables (net of allowance for uncollectibles):			
Taxes	1,615,684	-	1,615,684
Notes	13,547	-	13,547
Other	9,228	749,166	758,394
Capital assets, not being depreciated	3,247,208	268,656	3,515,864
Capital assets, being depreciated (net of accumulated depreciation)	4,327,717	13,811,487	18,139,204
Net pension assets - IMRF	29,345	-	29,345
Total assets	15,376,801	19,484,153	34,860,954
Deferred Outflows of Resources:			
Unamortized loss on refunding	-	210,578	210,578
Deferred amounts related to pensions	1,503,602	-	1,503,602
Total assets and deferred outflows of resources	16,880,403	19,694,731	36,575,134

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Net Position
April 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities and Deferred Inflows of Resources</u>			
Current liabilities:			
Accounts payable	\$ 72,233	\$ 340,121	\$ 412,354
Accrued wages	65,965	3,520	69,485
Accrued interest	-	72,493	72,493
Bonds payable	-	470,000	470,000
Notes payable	-	-	-
Compensated absences	10,000	-	10,000
Total current liabilities	<u>148,198</u>	<u>886,134</u>	<u>1,034,332</u>
Noncurrent liabilities:			
Bonds payable	-	7,185,000	7,185,000
Refundable deposits	-	54,000	54,000
Compensated absences	52,000	-	52,000
Net pension liability - Police and Fire	1,129,873	-	1,129,873
Total noncurrent liabilities	<u>1,181,873</u>	<u>7,239,000</u>	<u>8,420,873</u>
Total liabilities	<u>1,330,071</u>	<u>8,125,134</u>	<u>9,455,205</u>
Deferred inflows of resources:			
Bond premium	-	274,917	274,917
Subsequent year's property taxes	1,181,000	-	1,181,000
Deferred amounts related to pensions	1,003,508	-	1,003,508
Total deferred inflows of resources	<u>2,184,508</u>	<u>274,917</u>	<u>2,459,425</u>
Total liabilities and deferred inflows of resources	<u>3,514,579</u>	<u>8,400,051</u>	<u>11,914,630</u>
<u>Net Position</u>			
Net investment in capital assets	7,574,925	6,425,143	14,000,068
Restricted for public safety	159,604	-	159,604
Restricted for highways and streets	445,576	-	445,576
Restricted for debt	-	1,036,279	1,036,279
Restricted for culture and recreation	222,461	-	222,461
Restricted for economic development	2,165,901	-	2,165,901
Restricted for general government	859,300	-	859,300
Unrestricted	1,938,057	3,833,258	5,771,315
Total net position	<u>\$ 13,365,824</u>	<u>\$ 11,294,680</u>	<u>\$ 24,660,504</u>

CITY OF HILLSBORO, ILLINOIS

Statement of Activities
Year Ended April 30, 2024

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business - Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 912,722	\$ 59,801	\$ -	\$ -	\$ (852,921)	\$ -	\$ (852,921)
Public safety	1,862,695	59,965	15,050	-	(1,787,680)	-	(1,787,680)
Streets and roads	1,164,279	-	26,798	-	(1,137,481)	-	(1,137,481)
Culture and recreation	1,080,368	508,612	42,600	-	(529,156)	-	(529,156)
Total governmental activities	5,020,064	628,378	84,448	-	(4,307,238)	-	(4,307,238)
Business-type activities:							
Water	\$ 2,244,454	\$ 2,810,702	\$ -	\$ -	566,248	566,248	566,248
Sewer	1,122,569	1,094,801	-	-	(27,768)	(27,768)	(27,768)
Total business-type activities	3,367,023	3,905,503	-	-	538,480	538,480	538,480
Total primary government	\$ 8,387,087	\$ 4,533,881	\$ 84,448	\$ -	(4,307,238)	538,480	(3,768,758)
General revenues:							
Video gaming tax					82,937	-	82,937
Motor fuel tax					259,215	-	259,215
Property and replacement taxes					889,032	-	889,032
Income tax					982,214	-	982,214
Sales tax					1,444,944	-	1,444,944
Fire tax					11,198	-	11,198
Utility and telecommunication taxes					458,349	-	458,349
Cannabis tax					9,159	-	9,159
Investment income					257,049	193,804	450,853
Miscellaneous					315,379	-	315,379
Transfers					(17,850)	17,850	-
Total general revenue and transfers					4,691,626	211,654	4,903,280
Change in net position					384,388	750,134	1,134,522
Net position, beginning of year					12,981,436	10,544,546	23,525,982
Net position, end of year					\$ 13,365,824	\$ 11,294,680	\$ 24,660,504

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Balance Sheet
Governmental Funds
April 30, 2024

	General Fund	Business District Tax Fund	Motor Fuel Tax Fund	Other Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 3,602,689	\$ 1,356,486	\$ 438,025	\$ 736,872	\$ 6,134,072
Receivables:					
Taxes	1,535,461	58,996	21,227	-	1,615,684
Notes	-	-	-	13,547	13,547
Accounts	9,228	-	-	-	9,228
Total assets	\$ 5,147,378	\$ 1,415,482	\$ 459,252	\$ 750,419	\$ 7,772,531
Liabilities and Deferred Inflows of Resources					
Accounts payable	\$ 58,557	\$ -	\$ 13,676	\$ -	\$ 72,233
Accrued wages	65,965	-	-	-	65,965
Total liabilities	124,522	-	13,676	-	138,198
Subsequent year's property taxes	1,181,000	-	-	-	1,181,000
Total deferred inflows of resources	1,181,000	-	-	-	1,181,000
Total liabilities and deferred inflows of resources	1,305,522	-	13,676	-	1,319,198
Fund Balances					
Restricted	-	1,415,482	445,576	750,419	2,611,477
Committed	1,241,365	-	-	-	1,241,365
Unassigned	2,600,491	-	-	-	2,600,491
Total fund balances	3,841,856	1,415,482	445,576	750,419	6,453,333
Total liabilities and fund balances	\$ 5,147,378	\$ 1,415,482	\$ 459,252	\$ 750,419	\$ 7,772,531

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Reconciliation of Fund Balances of Governmental Funds to the
Governmental Activities in the Statement of Net Position
April 30, 2024

Fund balances of the governmental funds	\$	6,453,333
Capital assets used in governmental activities of \$21,922,430, net of accumulated depreciation of \$14,347,505, are not financial resources; and therefore, are not reported in the governmental funds		7,574,925
Deferred outflows of resources are not current financial resources; and therefore, are not reported in the funds		1,503,602
Deferred inflows of resources are not current financial resources; and therefore, are not reported in the funds		(1,003,508)
Certain liabilities and deferred inflows of resources are not due and payable in the current period; and therefore, are not reported in the funds		
Net pension asset - IMRF		29,345
Compensated absences		(62,000)
Net pension liability - Police and Fire		<u>(1,129,873)</u>
Net position of governmental activities	\$	<u>13,365,824</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended April 30, 2024

	General Fund	Business District Tax Fund	Motor Fuel Tax Fund	Other Nonmajor Governmental Funds	Total
Revenues:					
Taxes	\$ 3,267,839	\$ 381,924	\$ 259,215	\$ 228,070	\$ 4,137,048
Intergovernmental	84,448	-	-	-	84,448
Charges for services	539,742	-	-	-	539,742
Fines	28,835	-	-	-	28,835
Licenses and permits	59,801	-	-	-	59,801
Investment income	155,636	54,465	19,862	27,086	257,049
Reimbursements and miscellaneous	315,379	-	-	-	315,379
Total revenues	4,451,680	436,389	279,077	255,156	5,422,302
Expenditures:					
Current:					
General government	454,046	95,302	-	136,996	686,344
Public safety	1,557,581	-	-	-	1,557,581
Streets and roads	753,420	-	165,242	-	918,662
Culture and recreation	923,435	-	-	-	923,435
Capital outlay	682,085	175,710	140,148	-	997,943
Total expenditures	4,370,567	271,012	305,390	136,996	5,083,965
Excess (deficiency) of revenues over expenditures	81,113	165,377	(26,313)	118,160	338,337
Other financing sources (uses):					
Transfers out	(17,850)	-	-	-	(17,850)
Total other financing sources (uses)	(17,850)	-	-	-	(17,850)
Net change in fund balances	63,263	165,377	(26,313)	118,160	320,487
Fund balances, beginning	3,778,593	1,250,105	471,889	632,259	6,132,846
Fund balances, ending	\$ 3,841,856	\$ 1,415,482	\$ 445,576	\$ 750,419	\$ 6,453,333

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Governmental
Activities in the Statement of Activities
Year Ended April 30, 2024**

Net change in fund balances - total governmental funds	\$	320,487
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Assets reported for governmental activities on the Statement of Net Position are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those costs over the lives of the assets:

Capital assets purchased		997,943
Depreciation expense		(359,750)
Net book value of assets disposed		-

Some expenses reported in the Statement of Activities do not require the use of current financial resources; and therefore, are not reported as expenditures in the governmental funds:

Compensated absences		7,000
Pension benefits		(581,292)
		-

Change in net position of governmental activities	\$	384,388
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See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Net Position
Proprietary Funds
April 30, 2024

	Business-Type Activities - Enterprise Funds		
	Waterworks	Sewerage	Total
	Fund	Fund	
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,366,842	\$ 1,251,723	\$ 3,618,565
Restricted cash and cash equivalents	1,036,279	-	1,036,279
Accounts receivable (net of allowance for uncollectibles)	499,390	249,776	749,166
Total current assets	<u>3,902,511</u>	<u>1,501,499</u>	<u>5,404,010</u>
Noncurrent assets:			
Capital assets not being depreciated	110,406	158,250	268,656
Capital assets, net of accumulated depreciation	9,918,883	3,892,604	13,811,487
Total noncurrent assets	<u>10,029,289</u>	<u>4,050,854</u>	<u>14,080,143</u>
Total assets	<u>13,931,800</u>	<u>5,552,353</u>	<u>19,484,153</u>
Deferred Outflows of Resources			
Loss on refinancing of bonds	210,578	-	210,578
Total assets and deferred outflows of resources	<u>14,142,378</u>	<u>5,552,353</u>	<u>19,694,731</u>
Liabilities and Net Position			
Current liabilities:			
Accounts payable	19,006	321,115	340,121
Accrued wages	1,760	1,760	3,520
Accrued interest	39,930	32,563	72,493
Bonds payable	350,000	120,000	470,000
Total current liabilities	<u>410,696</u>	<u>475,438</u>	<u>886,134</u>
Noncurrent liabilities:			
Bonds payable	4,700,000	2,485,000	7,185,000
Refundable deposits	54,000	-	54,000
Total noncurrent liabilities	<u>4,754,000</u>	<u>2,485,000</u>	<u>7,239,000</u>
Total liabilities	<u>5,164,696</u>	<u>2,960,438</u>	<u>8,125,134</u>
Deferred Inflows of Resources			
Gain on refinancing of bonds	-	274,917	274,917
Total liabilities and deferred inflows of resources	<u>5,164,696</u>	<u>3,235,355</u>	<u>8,400,051</u>
Net position:			
Net investment in capital assets	4,979,289	1,445,854	6,425,143
Restricted for debt	1,036,279	-	1,036,279
Unrestricted	2,962,114	871,144	3,833,258
Total net position	<u>\$ 8,977,682</u>	<u>\$ 2,316,998</u>	<u>\$ 11,294,680</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended April 30, 2024**

	Business-Type Activities - Enterprise Funds		
	Waterworks	Sewerage	Total
	Fund	Fund	Fund
Operating revenues:			
Charges for service	\$ 2,628,916	\$ 976,759	\$ 3,605,675
Other	181,786	118,042	299,828
Total operating revenues	2,810,702	1,094,801	3,905,503
 Operating expenses:			
Salaries	36,827	36,828	73,655
Payroll taxes and pension	3,548	3,548	7,096
Testing	500	18,000	18,500
Insurance	58,248	35,964	94,212
Administration	5,123	3,927	9,050
Utilities	79,490	80,985	160,475
Chemicals and materials	4,125	31,545	35,670
Repairs and maintenance	243,292	44,143	287,435
Miscellaneous	33,763	21,114	54,877
Professional fees	1,279,444	563,575	1,843,019
Depreciation	384,231	217,610	601,841
Total operating expenses	2,128,591	1,057,239	3,185,830
Operating income (loss)	682,111	37,562	719,673
 Nonoperating revenues (expenses):			
Interest on investments	130,760	63,044	193,804
Interest and fees on bonds	(115,863)	(65,330)	(181,193)
Total nonoperating revenues (expenses)	14,897	(2,286)	12,611
Net income (loss) before transfers	697,008	35,276	732,284
Transfers in, net	-	166,380	166,380
Transfers out, net	(148,530)	-	(148,530)
Total transfers	(148,530)	166,380	17,850
Change in net position	548,478	201,656	750,134
Net position, beginning	8,429,204	2,115,342	10,544,546
Net position, ending	\$ 8,977,682	\$ 2,316,998	\$ 11,294,680

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Statement of Cash Flows
Proprietary Funds
Year Ended April 30, 2024

	Business-Type Activities - Enterprise Funds		
	Waterworks Fund	Sewerage Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 2,740,611	\$ 1,058,924	\$ 3,799,535
Payments to suppliers	(1,709,413)	(618,984)	(2,328,397)
Payments to employees	(40,099)	(40,100)	(80,199)
Net cash provided by (used for) operating activities	<u>991,099</u>	<u>399,840</u>	<u>1,390,939</u>
Cash flows from noncapital financing activities:			
Transfers from (to) other funds	(148,530)	166,380	17,850
Net cash provided by (used for) noncapital financing activities	<u>(148,530)</u>	<u>166,380</u>	<u>17,850</u>
Cash flows from capital and related financing activities:			
Principal paid on capital debt	(401,161)	(166,161)	(567,322)
Interest and fees paid on capital debt	(100,320)	(82,588)	(182,908)
Purchase of capital assets	(47,634)	(1,269,636)	(1,317,270)
Net cash provided by (used for) capital and related financing activities	<u>(549,115)</u>	<u>(1,518,385)</u>	<u>(2,067,500)</u>
Cash flows from investing activities:			
Interest	130,760	63,044	193,804
Net cash provided by (used for) investing activities	<u>130,760</u>	<u>63,044</u>	<u>193,804</u>
Change in cash and cash equivalents	424,214	(889,121)	(464,907)
Cash and cash equivalents, beginning	2,978,907	2,140,844	5,119,751
Cash and cash equivalents, ending	<u>\$ 3,403,121</u>	<u>\$ 1,251,723</u>	<u>\$ 4,654,844</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 682,111	\$ 37,562	\$ 719,673
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	384,231	217,610	601,841
Change in assets and liabilities:			
Decrease (increase) in receivables	(73,091)	(35,877)	(108,968)
Increase (decrease) in payables	(2,152)	180,545	178,393
Net cash provided by operating activities	<u>\$ 991,099</u>	<u>\$ 399,840</u>	<u>\$ 1,390,939</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

**Statement of Fiduciary Net Position
Fiduciary Funds - Pension Trust Fund
April 30, 2024**

	Firefighters Pension	Police Pension	Total
<u>Assets</u>			
Cash	\$ 301,963	\$ 656,787	\$ 958,750
Investments, at fair value:			
Illinois police officers' pension investment fund	-	2,383,822	2,383,822
Illinois firefighters' pension investment fund	992,157	-	992,157
Total investments at fair value	<u>992,157</u>	<u>2,383,822</u>	<u>3,375,979</u>
Prepays	<u>530</u>	<u>530</u>	<u>1,060</u>
Total assets	<u>\$ 1,294,650</u>	<u>\$ 3,041,139</u>	<u>\$ 4,335,789</u>
<u>Liabilities</u>			
Expenses due/unpaid	<u>\$ 9,010</u>	<u>\$ 8,395</u>	<u>\$ 17,405</u>
<u>Net Position</u>			
Net position held in trust	<u>1,285,640</u>	<u>3,032,744</u>	<u>4,318,384</u>
Total liabilities and net position	<u>\$ 1,294,650</u>	<u>\$ 3,041,139</u>	<u>\$ 4,335,789</u>

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Pension Trust Funds
April 30, 2024**

	Firefighters Pension	Police Pension	Total
Additions:			
Contributions:			
Employer	\$ 141,146	\$ 215,811	\$ 356,957
Plan members	19,348	42,834	62,182
Total contributions	160,494	258,645	419,139
Investment income:			
Interest and dividends	18,159	14,624	32,783
Net change in fair value	77,640	194,373	272,013
Total investment income	95,799	208,997	304,796
Less investment expense	(992)	(1,262)	(2,254)
Net investment income	94,807	207,735	302,542
Total additions	255,301	466,380	721,681
Deductions:			
Benefits payments and refunds	112,355	146,463	258,818
Administration	17,335	16,808	34,143
Total deductions	129,690	163,271	292,961
Increase (decrease) in net position	125,611	303,109	428,720
Net position, beginning of year	1,160,029	2,729,635	3,889,664
Net position, end of year	\$ 1,285,640	\$ 3,032,744	\$ 4,318,384

See notes to the financial statements.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements
April 30, 2024

Note 1 - Summary of Significant Accounting Policies

1.A. - Financial Reporting Entity

The City is a municipal corporation governed by a five-member Council consisting of four commissioners and the Mayor. The City provides the following services: general government, public safety (police), street, and water and sewer services.

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City should be included within. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based on these criteria, there are no potential component units which are required to be included in the accompanying financial statements.

1.B. - Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e.: the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. *Business-type activities* rely to a significant extent on fees and charges to external customers for support.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes other than debt service or capital projects. The City's special revenue funds are as follows:

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

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

Proprietary Funds

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

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

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

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2024

Note 1 - Summary of Significant Accounting Policies, continued

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e.: the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Fiduciary Funds

Fiduciary fund types are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City has the following fiduciary fund types:

Police Pension Fund is used to account for the accumulation of resources needed to pay pension costs when due. Resources are contributions from police force members at rates fixed by state statutes and City contributions in the form of an annual property tax levy.

Firefighters' Pension Fund is used to account for the accumulation of resources needed to pay pension costs when due. Resources are contributions from fire department members at rates fixed by state statutes and City contributions in the form of an annual property tax levy.

1.C. - Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "what" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements
April 30, 2024

Note 1 - Summary of Significant Accounting Policies, continued

Basis of Accounting

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

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

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

1.D. - Assets, Liabilities, and Equity

Cash and Cash Equivalents

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

Investments

Investments consist entirely of non-negotiable certificates of deposit whose original maturity term exceeds three months. All non-negotiable certificates of deposit whose original maturity term exceeds three months are carried at cost.

Receivables

In the government-wide statements, receivables consist of all revenues recognized as of year-end and not yet received. Major receivable balances for the governmental activities include sales tax and property tax. Business-type activities report utilities, net of any allowance for uncollectible accounts, as its major receivables. The allowance amount is estimated using historical experience.

Notes Receivable

The City has total notes receivable of \$13,547 at April 30, 2024, comprised of individual notes from various local businesses. The receivables are from a revolving loan account maintained by the City. Payments are being made monthly.

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

Inventories

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

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements
April 30, 2024

Note 1 - Summary of Significant Accounting Policies, continued

Capital Assets

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

Government-Wide Statements

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

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

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

Fund Financial Statements

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

Long-Term Debt

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

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

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an *inflow of resources (revenue)* until that time. Unavailable revenues in governmental funds include receivables not "available" to finance the current period.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements
April 30, 2024

Note 1 - Summary of Significant Accounting Policies, continued

Equity Classification

Government-Wide Statements

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

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

Fund Financial Statements - Fund Balance Classifications

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

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

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

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority.

Assigned Fund Balance - The assigned fund balance classification includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance - The unassigned fund balance classification includes amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The City's policy is to spend restricted fund balance before spending unrestricted fund balance when an expenditure is paid for purposes for which both restricted and unrestricted fund balance is available except for instances where a City budget resolution specifies the fund balance.

The City's policy is that committed and assigned fund balances are considered to have been spent before unassigned balances have been spent when an expenditure is paid for purposes for which amounts in any of those unrestricted fund balance classifications could be used except for instances where a City budget ordinance specifies the fund balance.

CITY OF HILLSBORO, ILLINOIS

**Notes to the Financial Statements
April 30, 2024**

Note 1 - Summary of Significant Accounting Policies, continued

1.E. - Revenues, Expenditures, and Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

1.F. - Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - Repayments from funds responsible for certain expenditures/ expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

CITY OF HILLSBORO, ILLINOIS

**Notes to the Financial Statements
April 30, 2024**

Note 1 - Summary of Significant Accounting Policies, continued

1.G. - Use of Estimates

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

1.H. - Property Taxes

The City's property tax is levied on assessed values established by the County Assessor's office at varying rates of assessed market value depending on whether the property is commercial or residential. The budget and appropriation ordinance was approved on May 2, 2023, and the tax levy was passed by the Board on December 5, 2023. Property taxes attach as an enforceable lien on property as of January 1, and are usually payable in two installments on or about June 1st and September 1st, during the following fiscal year. The City usually receives distributions from the County Collector in the months of July through November.

The assessed value upon which the 2022 levy was based totaled \$54,126,176.

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

	Maximum <u>2022 Levy</u>	2022 <u>Actual</u>
General corporate	0.25000	.24203
Fire protection	0.07500	.07243
Police protection	0.07500	.07243
Audit	as needed	.03234
Liability insurance	as needed	.11621
Social security	as needed	.22171
Unemployment	as needed	.00592
Workers' compensation	as needed	.08130
IMRF	as needed	.11086
Fire Pension	as needed	.25496
Police Pension	as needed	<u>.38983</u>
		<u>1.60002</u>

For governmental funds, only property taxes which are intended to finance the current fiscal year and collected within 60 days subsequent to year-end are recorded as revenue. Property tax revenue in these financial statements is from the 2022 tax year. Property taxes for the 2023 levy are payable in 2024 and intended to finance the 2025 fiscal year and are not considered available for current operations and are, therefore, shown as deferred inflows of resources.

1.I. - Compensated Absences

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

Note 2 - Stewardship, Compliance, and Accountability

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations.

2.A. - Deposits and Investments

The City's investment policy is in accordance with the Illinois Compiled Statutes. The City is authorized by statute to make deposits or investments in obligations of the U.S. Government; obligations of state or their political subdivisions; savings accounts, time deposits, certificates of deposit; or other investments which are direct obligations of banks as defined by the Illinois Banking Act; and the Illinois Funds.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements
April 30, 2024

Note 2 - Stewardship, Compliance, and Accountability, continued

The City's deposits are in checking, savings accounts and certificates of deposit and are carried at cost. The City's current investment practice is only to invest in local financial institution accounts and the State Treasurer's Investment Pool. The City maintains a cash pool for some of the resources, excluding the pension trust fund. Each fund's portion of the pool is displayed on the Statement of Net Position as deposits.

Deposits and Custodial Credit Risk

At year-end, the carrying amount of the City's deposits, net of outstanding checks, including certificates of deposit was \$10,788,841 and the bank balance was \$10,977,395. Of this balance, \$250,434 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$10,726,961 was covered by pledged collateral, which was held in the City's name and \$0 was uncollateralized.

Cash on hand of \$75 has been excluded from the amounts shown above.

Interest Rate Risk

The City does not have a formal policy that limits invested maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At April 30, 2024, the City's deposits were as follows:

Governmental Activities	\$ 6,134,072
Business-Type Activities	<u>4,654,844</u>
Total	\$ <u>10,788,916</u>

Fiduciary Funds

At April 30, 2024, the carrying amount of the Firefighters' Pension Fund and Police Pension Fund deposits totaled \$3,375,979. Since flow through FDIC insurance is available for the Plans' deposits with financial contributions, the Plans do not require pledging of collateral for any bank balances in excess of federal depository insurance. The investments have been transferred to the State of Illinois Police Officers' Investment Fund and the State of Illinois Firefighters' Investment Fund.

Investments

Custodial Credit Risk: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City and the pension funds do not have custodial credit risk policies for investments.

Interest Rate Risk: This is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City and pension funds do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City and pension funds do not have a formal investment policy that specifically addresses credit risk.

Concentration of Credit Risk: This is the risk that the City has a high percentage of its investments invested in one type of investment. The City does not have a formal investment policy that specifically addresses concentration of credit risk. The pension funds' investment policies require diversification of investments to avoid unreasonable risk.

2.B. - Common Bank Account

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

CITY OF HILLSBORO, ILLINOIS

**Notes to the Financial Statements
April 30, 2024**

Note 3 - Detail Notes

The following notes present detail information to support the amounts in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. - Capital Assets

Capital asset activity for the fiscal year ended April 30, 2024, was as follows:

	Balance May 1, 2023	Additions	Deductions	Balance April 30, 2024
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 3,247,208	\$ -	\$ -	\$ 3,247,208
Total capital assets not being depreciated	3,247,208	-	-	3,247,208
Other capital assets:				
Buildings	2,290,413	-	-	2,290,413
Machinery and equipment	4,800,459	111,101	-	4,911,560
Infrastructure	10,586,407	886,842	-	11,473,249
Total other capital assets as historical cost	17,677,279	997,943	-	18,675,222
Less accumulated depreciation for:				
Buildings	1,636,305	57,814	-	1,694,119
Machinery and equipment	3,459,919	259,161	-	3,719,080
Infrastructure	8,891,531	42,775	-	8,934,306
Total accumulated depreciation	13,987,755	359,750	-	14,347,505
Other capital assets, net	3,689,524	638,193	-	4,327,717
Governmental activities capital assets, net	\$ 6,936,732	\$ 638,193	\$ -	\$ 7,574,925

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

<i>Governmental activities:</i>	
General government	\$ 88,055
Public safety	159,791
Streets and roads	100,294
Culture and recreation	11,610
	\$ 359,750

CITY OF HILLSBORO, ILLINOIS

**Notes to the Financial Statements
April 30, 2024**

Note 3 - Detail Notes, continued

	Balance May 1, 2023	Additions	Deductions	Balance April 30, 2024
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 202,167	\$ 66,489	\$ -	\$ 268,656
Other capital assets:				
Water and sewer capital assets	32,374,448	1,250,781	-	33,625,229
Total other capital assets at historical cost	32,374,448	1,250,781	-	33,625,229
Less accumulated depreciation for:				
Water and sewer capital assets	19,211,901	601,841	-	19,813,742
Total accumulated depreciation	19,211,901	601,841	-	19,813,742
Other capital assets, net	13,162,547	648,940	-	13,811,487
Business-type activities capital assets, net	\$ 13,364,714	\$ 715,429	\$ -	\$ 14,080,143

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

Business-Type Activities:	
Waterworks Fund	\$ 384,231
Sewerage Fund	217,610
Total depreciation expense for business-type activities	\$ 601,841

3.B. - Summary of Interfund Balances and Transfers

Transfers as of April 30, 2024:

	Transfers In	Transfers Out
Sewerage Fund	\$ 166,380	\$ -
Waterworks Fund	-	148,530
General Fund	-	17,850
	\$ 166,380	\$ 166,380

The transfers were used for loan payments.

3.C. - Risk Management - Insurance

The City is exposed to various risks of loss including, but not limited to, general liability, property casualty, worker's compensation, and public official's liability. To limit the exposure to these risks, the City purchases commercial insurance as necessary. There have been no significant changes in coverage during the year. Settlements have not exceeded coverage in the past three years.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements
April 30, 2024

Note 4 - Pension Plan - IMRF

IMRF Plan Description

The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

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

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

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

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

Employees Covered by Benefit Terms

As of December 31, 2023, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	52
Inactive Plan Members entitled to but not yet receiving benefits	4
Active Plan Members	<u>15</u>
Total	<u>71</u>

Contributions

As set by statute, the City's Regular Plan Members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2023 was 1.11%. For the fiscal year ended April 30, 2024, the City contributed \$56,676 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements
April 30, 2024

Note 4 - Pension Plan - IMRF, continued

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2023.

Actuarial Cost Method	Entry Age Method
Asset Valuation Method	Market Value of Assets
Price Inflation	2.25%
Salary Increases	2.75% to 13.75%, including inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019.
Mortality	For non-disabled retirees, the Pub-2010, Amount Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future-mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.
Other Information: Notes	There were no benefit changes during the year.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2023, Illinois Municipal Retirement Fund annual actuarial valuation report.

CITY OF HILLSBORO, ILLINOIS

**Notes to the Financial Statements
April 30, 2024**

Note 4 - Pension Plan - IMRF, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Return 12/31/2023	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	34.50 %	23.30 %	6.35 %	5.00 %
International Equities	18.00 %	19.64 %	8.00 %	6.35 %
Fixed Income	24.50 %	7.62 %	4.85 %	4.75 %
Real Estate	10.50 %	(4.15) %	7.20 %	6.30 %
Alternatives	11.50 %	2.60 %		
Private Equity		N/A	12.35 %	8.65 %
Hedge Funds		N/A	N/A	N/A
Commodities		N/A	7.20 %	6.05 %
Cash Equivalents	1.00 %	5.23 %	3.80 %	3.80 %

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 3.77%, and the resulting single discount rate is 7.25%.

CITY OF HILLSBORO, ILLINOIS

**Notes to the Financial Statements
April 30, 2024**

Note 4 - Pension Plan, IMRF, continued

Changes in the Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance, December 31, 2022	\$ 8,971,120	\$ 8,424,521	\$ 546,599
Change for the year:			
Service Cost	75,190	-	75,190
Interest on the Total Pension Liability	627,569	-	627,569
Differences Between Expected and Actual Experience of the Total Pension Liability	84,687	-	84,687
Changes of Assumptions	(12,373)	-	(12,373)
Contributions - Employer	-	7,887	(7,887)
Contributions - Employees	-	31,971	(31,971)
Net Investment Income	-	988,038	(988,038)
Benefit Payments, including Refunds of Employee Contributions	(705,168)	(705,168)	-
Other (Net Transfer)	-	264,431	(264,431)
Net Changes	<u>69,905</u>	<u>587,159</u>	<u>(517,254)</u>
Balance at December 31, 2023	<u>\$ 9,041,025</u>	<u>\$ 9,011,680</u>	<u>\$ 29,345</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25% as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	<u>1% Lower 6.25%</u>	<u>Current Discount 7.25%</u>	<u>1% Higher 8.25%</u>
Net Pension Liability	<u>\$ 925,233</u>	<u>\$ 29,345</u>	<u>\$ (720,370)</u>

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

For the year ended April 30, 2024, the City recognized pension expense of \$ 56,676. At April 30, 2024, the City recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts Related to Pensions		
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Difference between expected and actual experience	\$ 43,318	\$ 55,791
Changes in Assumptions	-	7,206
Net differences between projected and actual earnings on pension plan investments	1,435,728	940,511
Total Deferred Amounts to be recognized in pension expense in future periods	1,479,046	1,003,508
Pension Contribution made subsequent to the Measurement Date	24,556	-
Total Deferred Amounts Related to Pensions	<u>\$ 1,503,602</u>	<u>\$ 1,003,508</u>

CITY OF HILLSBORO, ILLINOIS

**Notes to the Financial Statements
April 30, 2024**

Note 4 - Pension Plan - IMRF, continued

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

Year Ending December 31	Net Deferred Outflows of Resources
2024	\$ (9,437)
2025	181,489
2026	406,402
2027	(78,360)
Total	<u>\$ 500,094</u>

Note 5 - Long-Term Debt

Compensated Absences

	<u>Balance May 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance April 30, 2024</u>	<u>Current Portion</u>
Compensated absences	\$ 69,000	\$ -	\$ 7,000	\$ 62,000	\$ 10,000

Business-Type Activities

The following is a summary of changes in long-term debt for the year ended April 30, 2024:

	<u>Balance May 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance April 30, 2024</u>	<u>Current Portion</u>
Taxable General Obligation Bonds (Alternative Revenue Source) Waterworks and Sewerage Bonds of 2021. 1.0-2.65% (original issuance \$5,475,000 due December 1, 2036. Includes one principal payment of \$290,000 on old bonds refinanced).	\$ 5,400,000	\$ -	\$ 350,000	\$ 5,050,000	\$ 350,000
General Obligation Bonds (Alternative Revenue Source) Sewerage Bonds of 2021 3.0% (original issuance \$2,835,000 due December 1, 2040).	2,720,000	-	115,000	2,605,000	120,000
Subtotal	8,120,000	-	465,000	7,655,000	470,000
Notes Payable IL EPA Loan - 2.57% (original issuance \$1,553,837 due December 3, 2023)	102,322	-	102,322	-	-
	<u>\$ 8,222,322</u>	<u>\$ -</u>	<u>\$ 567,322</u>	<u>\$ 7,655,000</u>	<u>\$ 470,000</u>

CITY OF HILLSBORO, ILLINOIS

**Notes to the Financial Statements
April 30, 2024**

Note 5 - Long-Term Debt, continued

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt with interest rates applicable at April 30, 2024, are as follows:

	<u>Principal</u>	<u>Interest</u>
2025	\$ 470,000	\$ 173,982
2026	480,000	166,882
2027	485,000	159,582
2028	495,000	151,692
2029	510,000	143,047
2030-2034	2,695,000	547,352
2035-2038	2,140,000	202,475
2039-2040	380,000	17,250
	<u>\$ 7,655,000</u>	<u>\$ 1,562,262</u>

Gains and Losses on Refunding

On June 24, 2021, bonds in the Water and Sewer Funds were refinanced. This refunding resulted in a gain in the Sewer Fund and a loss in the Water Fund. These gains and losses are being amortized over the next 20 years. The amount amortized in the Water Fund each year is \$17,548 and the Sewer Fund is \$15,273.

	<u>Water Fund</u>	<u>Sewer Fund</u>
Balance, May 1, 2023	\$ 228,127	\$ 290,190
Current year amortization	(17,549)	(15,273)
Balance, April 30, 2024	<u>\$ 210,578</u>	<u>\$ 274,917</u>

Note 6 - Defined Benefit Pension Plans

Police Pension Fund

Plan Description

The Plan is established and administered as prescribed by "Article 3 Police Pension Fund - Municipalities 500,000 and Under" of the Illinois Pension Code. The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees. The Board consists of two members appointed by the City, two active Members and one retired Member elected by the Membership. The City accounts for the plan as pension trust fund.

Plan membership as of April 30, 2024, consisted of the following:

Retirees and beneficiaries currently receiving benefits	3
Inactive plan members entitled to but currently receiving benefits	3
Active plan members	<u>8</u>
Total	<u>14</u>

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements April 30, 2024

Note 6 - Defined Benefit Pension Plans, continued

Benefits Provided

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

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

Under Tier 2, a police officer age 55 or more with 10 or more years of creditable service shall receive a pension of 2.5% per year of service times the average salary for the forty-eight consecutive months of service within the last sixty months of service in which the total salary was the highest prior to retirement times the number of years of service. The maximum benefit is 75% of average salary. The minimum monthly benefit is \$1,000 per month. The salary is capped at a rate of \$106,800 as of 2011, indexed annually at a rate of CPI-U, but not to exceed 3%. An annual cost-of-living adjustment is calculated each January 1st. The increase is equal to 3% per year or one-half of the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with the September preceding each November 1st, whichever is less, of the original pension after the attainment of age 60 or first anniversary of pension state date, whichever is later.

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

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

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

Contributions

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

Investment Policy

The investments were all transferred to the Illinois Police Officers' Investment Fund during the 2022 fiscal year.

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

CITY OF HILLSBORO, ILLINOIS

Notes to the Financial Statements
April 30, 2024

Note 6 - Defined Benefit Pension Plans, continued

Firefighters' Pension Fund

Plan Description

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

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

Benefits Provided

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

Employees hired after January 1, 2011 are eligible for Tier 2 benefits. The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 55 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of an average of their highest 8 of last 10 years of salary. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The pension is increased on January 1 every year after retirement, by the lesser of 3% of the original pension amount or 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms - At April 30, 2024, Firefighters' Pension Plan membership consisted of:

Active members	4
Retirees and beneficiaries	4
Inactive, non-retired members	<u>4</u>
Total	<u>12</u>

Contributions

As set by statute, covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary.

Investment Policy

The investments were all transferred to the Illinois Firefighters' Investment Fund during the 2022 fiscal year.

Vesting

Less than 10 years: Refund of Member contributions.

10 or more years: Either the termination benefit, payable upon reaching age 60, provided contributions are not withdrawn, or a refund of member contributions.

CITY OF HILLSBORO, ILLINOIS

**Notes to the Financial Statements
April 30, 2024**

Note 6 - Defined Benefit Pension Plans, continued

Funding Status and Progress - as of May 1, 2023

	<u>Police</u>	<u>Firefighters</u>
Accrued liability	\$ 3,858,542	\$ 1,865,766
Actuarial value of assets	3,197,475	1,396,960
Unfunded liability	<u>\$ 661,067</u>	<u>\$ 468,806</u>
 Funded ratio	 <u>82.9 %</u>	 <u>74.9 %</u>

Note 7 - Budgetary Basis of Accounting

While reporting financial position, results of operations and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general and major special revenue funds are presented on the modified accrual basis. The major differences between the budget and the GAAP basis are as

- Revenues are recorded when received in cash (budget basis) as opposed to accrual (GAAP basis).
- Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis)

The adjustments necessary to reconcile the budgetary basis and GAAP statements of the General Fund are as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Budgetary basis	\$ 4,435,198	\$ 4,365,681	\$ 3,602,689
Receivables			
April 30, 2024	363,689	-	363,689
April 30, 2023	(347,207)	-	-
Payables			
April 30, 2024	-	124,522	(124,522)
April 30, 2023	-	(119,636)	-
	<u>\$ 4,451,680</u>	<u>\$ 4,370,567</u>	<u>\$ 3,841,856</u>

Note 8 - Legal Debt Margin

Assessed valuation - 2022 tax year	\$ 54,126,176
Statutory debt limitation	<u>0.08625</u>
	4,668,383
Less any general obligation debt	-
Legal debt margin	<u>\$ 4,668,383</u>

CITY OF HILLSBORO, ILLINOIS

**Notes to the Financial Statements
April 30, 2024**

Note 9 - Tax Increment Financing District

Tax Increment Financing (TIF) is a way to help finance the redevelopment of certain areas of the City. Municipalities can form TIF districts in areas that meet a number of requirements specified by Illinois law. Once an area is established as a TIF district, any property tax revenues generated by an increase in the assessed valuation of the district is collected into a special TIF Fund for use by that TIF district for qualified redevelopment costs.

The City of Hillsboro, Illinois, has the following TIF district:

<u>Name</u>	<u>Year Created</u>	<u>District Area</u>
Hillsboro Downtown TIF	9/10/2013	Hillsboro Downtown

Note 10 - Subsequent Events

Management has evaluated subsequent events through the date of this report, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HILLSBORO, ILLINOIS

Balance Sheet
General Fund
April 30, 2024

	General Account	Fire Subscription Account	Youth Sports Account	Lake Lot Deposit Account	School Resource D.A.R.E. Account	DUI Equipment Account	Police Dept. Rural Account	Police Vehicle Account	Total
Assets									
Cash and cash equivalents	\$ 3,344,768	\$ 90,711	\$ 66,353	\$ 31,964	\$ 7,060	\$ 6,292	\$ 52,161	\$ 3,380	\$ 3,602,689
Receivables:									
Taxes	1,535,461	-	-	-	-	-	-	-	1,535,461
Accounts	9,228	-	-	-	-	-	-	-	9,228
Total assets	\$ 4,889,457	\$ 90,711	\$ 66,353	\$ 31,964	\$ 7,060	\$ 6,292	\$ 52,161	\$ 3,380	\$ 5,147,378
Liabilities and Deferred Inflows of Resources									
Liabilities:									
Accounts payable	\$ 58,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,557
Accrued wages	65,965	-	-	-	-	-	-	-	65,965
Total liabilities	124,522	-	-	-	-	-	-	-	124,522
Deferred inflows of resources:									
Subsequent year's property taxes	1,181,000	-	-	-	-	-	-	-	1,181,000
Total deferred inflows of resources	1,181,000	-	-	-	-	-	-	-	1,181,000
Total liabilities and deferred inflows of resources	1,305,522	-	-	-	-	-	-	-	1,305,522
Fund Balances									
Committed	983,444	90,711	66,353	31,964	7,060	6,292	52,161	3,380	1,241,365
Unassigned	2,600,491	-	-	-	-	-	-	-	2,600,491
Total fund balances	3,583,935	90,711	66,353	31,964	7,060	6,292	52,161	3,380	3,841,856
Total liabilities and fund balances	\$ 4,889,457	\$ 90,711	\$ 66,353	\$ 31,964	\$ 7,060	\$ 6,292	\$ 52,161	\$ 3,380	\$ 5,147,378

CITY OF HILLSBORO, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Year Ended April 30, 2024

	General Account	Fire Subscription Account	Youth Sports Account	Lake Lot Deposit Account	School Resource D.A.R.E. Account	DUI Equipment Account	Police Dept. Rural Account	Police Vehicle Account	Total
Revenues:									
Taxes	\$ 3,256,641	\$ 11,198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,267,839
Intergovernmental	69,398	-	-	-	-	-	15,050	-	84,448
Charges for services	389,115	31,130	119,497	-	-	-	-	-	539,742
Fines	26,535	-	-	-	-	2,300	-	-	28,835
License and permits	59,801	-	-	-	-	-	-	-	59,801
Investment income	148,022	3,157	1,900	1,056	-	-	1,498	3	155,636
Reimbursements and miscellaneous	302,419	-	-	2,200	760	-	10,000	-	315,379
Total revenues	4,251,931	45,485	121,397	3,256	760	2,300	26,548	3	4,451,680
Expenditures:									
Current:									
General	454,046	-	-	-	-	-	-	-	454,046
Public safety	1,556,847	-	-	-	734	-	-	-	1,557,581
Highway and streets	753,420	-	-	-	-	-	-	-	753,420
Culture and recreation	837,791	-	85,644	-	-	-	-	-	923,435
Capital outlay	662,464	-	19,621	-	-	-	-	-	682,085
Total expenditures	4,264,568	-	105,265	-	734	-	-	-	4,370,567
Excess (deficiency) of revenues over expenditures	(12,637)	45,485	16,132	3,256	26	2,300	26,548	3	81,113
Other Financing Sources (Uses):									
Transfers out	(17,850)	-	-	-	-	-	-	-	(17,850)
Total other financing sources (uses)	(17,850)	-	-	-	-	-	-	-	(17,850)
Net change in fund balances	(30,487)	45,485	16,132	3,256	26	2,300	26,548	3	63,263
Fund balances, beginning	3,614,422	45,226	50,221	28,708	7,034	3,992	25,613	3,377	3,778,593
Fund balances, ending	\$ 3,583,935	\$ 90,711	\$ 66,353	\$ 31,964	\$ 7,060	\$ 6,292	\$ 52,161	\$ 3,380	\$ 3,841,856

CITY OF HILLSBORO, ILLINOIS

**General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
(Non-GAAP) Budget and Actual
Year Ended April 30, 2024**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Property taxes	\$ 650,000	\$ 615,832	\$ (34,168)
Intergovernmental:			
State sales taxes	1,050,000	1,063,020	13,020
State income taxes	900,000	982,214	82,214
Replacement taxes	50,000	45,130	(4,870)
Utility taxes	400,000	404,503	4,503
Telecommunication taxes	50,000	53,846	3,846
Video gaming taxes	80,000	82,937	2,937
Cannabis taxes	9,000	9,159	159
Recreation fee	222,730	389,115	166,385
Licenses and permits	119,700	59,801	(59,899)
Fines	9,700	26,535	16,835
Reimbursements and insurance	89,000	157,570	68,570
Miscellaneous	146,425	144,849	(1,576)
Interest	56,200	148,022	91,822
Intergovernmental	-	69,398	69,398
Total revenues	<u>3,832,755</u>	<u>4,251,931</u>	<u>419,176</u>
Expenditures:			
Current:			
General	471,388	454,046	17,342
Public safety	1,573,426	1,556,847	16,579
Highway and streets	787,576	753,420	34,156
Culture and recreation	1,324,818	837,791	487,027
Capital outlay	222,000	662,464	(440,464)
Total expenditures	<u>4,379,208</u>	<u>4,264,568</u>	<u>114,640</u>
Excess (deficiency) of revenues over expenditures	<u>(546,453)</u>	<u>(12,637)</u>	<u>533,816</u>
Other financing sources (uses):			
Transfers in	651,300	-	(651,300)
Transfers out	-	(17,850)	(17,850)
Total other financing sources (uses)	<u>651,300</u>	<u>(17,850)</u>	<u>(669,150)</u>
Net change in fund balance	<u>\$ 104,847</u>	<u>(30,487)</u>	<u>\$ (135,334)</u>
Fund balance, beginning		<u>3,614,422</u>	
Fund balance, ending		<u>\$ 3,583,935</u>	

CITY OF HILLSBORO, ILLINOIS

**Business District Tax Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 (Non-GAAP) Budget and Actual
 Year Ended April 30, 2024**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Sales taxes	\$ 375,000	\$ 381,924	\$ 6,924
Interest	<u>12,000</u>	<u>54,465</u>	<u>42,465</u>
Total revenues	<u>387,000</u>	<u>436,389</u>	<u>49,389</u>
Expenditures:			
General government	49,542	95,302	(45,760)
Capital outlay	<u>300,000</u>	<u>175,710</u>	<u>124,290</u>
Total expenditures	<u>349,542</u>	<u>271,012</u>	<u>78,530</u>
Net change in fund balance	<u>\$ 37,458</u>	165,377	<u>\$ 127,919</u>
Fund balance, beginning		<u>1,250,105</u>	
Fund balance, ending		<u>\$ 1,415,482</u>	

CITY OF HILLSBORO, ILLINOIS

**Motor Fuel Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
(Non-GAAP) Budget and Actual
Year Ended April 30, 2024**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Motor fuel tax allotments	\$ 240,000	\$ 259,215	\$ 19,215
Interest	<u>10,000</u>	<u>19,862</u>	<u>9,862</u>
Total revenues	<u>250,000</u>	<u>279,077</u>	<u>29,077</u>
Expenditures:			
Engineering fees	20,000	24,256	(4,256)
Maintenance of streets	352,000	140,986	211,014
Capital outlay	<u>10,000</u>	<u>140,148</u>	<u>(130,148)</u>
Total expenditures	<u>382,000</u>	<u>305,390</u>	<u>76,610</u>
Net change in fund balance	<u>\$ (132,000)</u>	(26,313)	<u>\$ 105,687</u>
Fund balance, beginning		<u>471,889</u>	
Fund balance, ending		<u>\$ 445,576</u>	

CITY OF HILLSBORO, ILLINOIS

**Notes to Required Supplementary Information
Year Ended April 30, 2024**

Note 1 - Budget, Appropriation Ordinance and Budgetary Accounting

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

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

The budget and appropriation ordinance was approved on May 2, 2023.

Note 2 - Excess of Expenditures Over Appropriations

For the year ended April 30, 2024, expenditures exceeded budget at the legal level of control in the individual fund as follows:

None.

SUPPLEMENTARY INFORMATION

CITY OF HILLSBORO, ILLINOIS

**Combining Balance Sheet
Nonmajor Governmental Funds
April 30, 2024**

	CDAP Revolving Loan Fund	Tax Increment Financing Fund	Total
	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>			
Cash	\$ 249,745	\$ 487,127	\$ 736,872
Notes receivable	13,547	-	13,547
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 263,292	\$ 487,127	\$ 750,419
	<u> </u>	<u> </u>	<u> </u>
<u>Liabilities</u>			
Accounts payable	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	-	-	-
	<u> </u>	<u> </u>	<u> </u>
<u>Fund Balances</u>			
Restricted	263,292	487,127	750,419
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	263,292	487,127	750,419
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ 263,292	\$ 487,127	\$ 750,419
	<u> </u>	<u> </u>	<u> </u>

CITY OF HILLSBORO, ILLINOIS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended April 30, 2024**

	CDAP Revolving Loan Fund	Tax Increment Financing Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Property taxes	\$ -	\$ 228,070	\$ 228,070
Investment income	10,908	16,178	27,086
	<u>10,908</u>	<u>244,248</u>	<u>255,156</u>
Total revenues			
	<u>10,908</u>	<u>244,248</u>	<u>255,156</u>
Expenditures:			
Current:			
General government	7,810	129,186	136,996
	<u>7,810</u>	<u>129,186</u>	<u>136,996</u>
Total expenditures			
	<u>7,810</u>	<u>129,186</u>	<u>136,996</u>
Net change in fund balances	3,098	115,062	118,160
	<u>3,098</u>	<u>115,062</u>	<u>118,160</u>
Fund balance, beginning	260,194	372,065	632,259
	<u>260,194</u>	<u>372,065</u>	<u>632,259</u>
Fund balances, ending	\$ 263,292	\$ 487,127	\$ 750,419
	<u>\$ 263,292</u>	<u>\$ 487,127</u>	<u>\$ 750,419</u>

CITY OF HILLSBORO, ILLINOIS

**Hillsboro Downtown TIF District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended April 30, 2024**

	<u>Year Ended April 30, 2024</u>	<u>Cumulative</u>
Revenues:		
Property taxes	\$ 228,070	\$ 1,725,878
Interest	<u>16,178</u>	<u>16,212</u>
Total revenues	<u>244,248</u>	<u>1,742,090</u>
Expenditures:		
Administration and legal	7,267	92,919
Distribution to taxing bodies	<u>121,919</u>	<u>1,162,044</u>
Total expenditures	<u>129,186</u>	<u>1,254,963</u>
Net change in fund balance	115,062	<u>\$ 487,127</u>
Fund balance, beginning	<u>372,065</u>	
Fund balance, ending	<u>\$ 487,127</u>	

OTHER INFORMATION

CITY OF HILLSBORO, ILLINOIS

**Multiyear Schedule of Changes
in Net Pension Liability and Related Ratios
Illinois Municipal Retirement Fund
April 30, 2024
(Unaudited)**

Calendar year ending December 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total Pension Liability			
Service Cost	\$ 75,190	\$ 69,107	\$ 61,448
Interest on the Total Pension Liability	627,569	645,284	674,130
Benefit Changes	-	-	-
Difference between Expected and Actual Experience	84,687	(251,065)	(396,129)
Assumption Changes	(12,373)	-	-
Benefit Payments and Refunds	<u>(705,168)</u>	<u>(716,249)</u>	<u>(766,060)</u>
Net Change in Total Pension Liability	69,905	(252,923)	(426,611)
Total Pension Liability - Beginning	<u>8,971,120</u>	<u>9,224,043</u>	<u>9,650,654</u>
Total Pension Liability - Ending (a)	<u>\$ 9,041,025</u>	<u>\$ 8,971,120</u>	<u>\$ 9,224,043</u>
Plan Fiduciary Net Position			
Employer Contributions	\$ 7,887	\$ 61,321	\$ 100,873
Employee Contributions	31,971	31,608	28,675
Pension Plan Net Investment Income	988,038	(1,659,513)	1,885,215
Benefit Payments and Refunds	(705,168)	(716,249)	(766,060)
Other	<u>264,431</u>	<u>(292,617)</u>	<u>(474,607)</u>
Net Change in Plan Fiduciary Net Position	587,159	(2,575,450)	774,096
Plan Fiduciary Net Position - Beginning	<u>8,424,521</u>	<u>10,999,971</u>	<u>10,225,875</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,011,680</u>	<u>\$ 8,424,521</u>	<u>\$ 10,999,971</u>
Net Pension Liability/(Asset) - Ending (a)-(b)	\$ 29,345	\$ 546,599	\$ (1,775,928)
Plan Fiduciary Net Position as a Percentage			
of Total Pension Liability	99.68 %	93.91 %	119.25 %
Covered Valuation Payroll	\$ 710,473	\$ 702,406	\$ 637,228
Net Pension Liability as a Percentage			
of Covered Valuation Payroll	4.13 %	77.82 %	(278.70) %

CITY OF HILLSBORO, ILLINOIS

**Schedule of Funding Progress
April 30, 2024
(Unaudited)**

Schedule of Net Position - Police and Firefighters

The latest actuarial report available - May 1, 2023

	Police	Firefighters	Total
Accrued liability	\$ 3,858,542	\$ 1,865,766	\$ 5,724,308
Net position, May 1, 2023	<u>3,197,475</u>	<u>1,396,960</u>	<u>4,594,435</u>
Net pension liability, May 1, 2023	<u>\$ 661,067</u>	<u>\$ 468,806</u>	<u>\$ 1,129,873</u>

Hillsboro Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
May 1, 2023	\$ 3,197,475	\$ 3,858,542	\$ 661,067	82.87 %	\$ 403,624	163.78 %
May 1, 2022	3,044,584	3,610,438	565,854	84.30 %	396,552	142.69 %
May 1, 2021	2,880,704	4,134,500	1,253,796	69.67 %	396,136	316.51 %
May 1, 2020	2,587,051	3,854,994	1,267,943	67.11 %	396,261	319.98 %
May 1, 2019	2,301,720	4,177,306	1,875,586	55.10 %	395,429	474.32 %
May 1, 2018	2,058,722	3,677,682	1,618,960	55.98 %	389,834	415.29 %
May 1, 2017	1,841,718	3,400,331	1,558,613	45.84 %	382,117	407.89 %
May 1, 2016	1,638,550	3,053,414	1,414,864	53.66 %	354,661	398.93 %
May 1, 2015	1,429,212	2,852,072	1,422,860	50.11 %	312,458	455.38 %
May 1, 2014	1,284,098	2,723,812	1,439,714	47.14 %	305,178	471.76 %
May 1, 2013	1,121,617	2,346,998	1,225,381	47.80 %	289,619	423.10 %

Hillsboro Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
May 1, 2023	\$ 1,396,960	\$ 1,865,766	\$ 468,806	74.87 %	\$ 180,773	259.33 %
May 1, 2022	1,369,141	1,895,130	525,989	72.20 %	264,867	198.59 %
May 1, 2021	1,329,802	2,433,556	1,103,754	54.64 %	221,416	498.50 %
May 1, 2020	1,229,163	2,331,875	1,102,712	52.71 %	217,880	506.11 %
May 1, 2019	1,155,375	2,228,572	1,073,197	51.84 %	205,254	522.86 %
May 1, 2018	1,088,426	2,177,283	1,088,857	50.01 %	211,120	515.75 %
May 1, 2017	1,018,946	2,056,048	1,037,102	50.44 %	206,440	502.37 %
May 1, 2016	948,049	1,800,646	852,597	52.65 %	200,824	424.55 %
May 1, 2015	860,106	1,736,365	876,259	49.53 %	201,926	433.95 %
May 1, 2014	782,342	1,546,402	764,060	50.59 %	197,454	386.96 %
May 1, 2013	699,706	1,366,605	666,899	51.20 %	192,940	345.65 %