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Annual Financial Report, 2005

City of Hillsboro

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CITY OF HILLSBORO, MISSOURI

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2005

Jeffrey J. Eftink, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

CITY OF HILLSBORO, MISSOURI

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2005

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Honorable Mayor and Members of the City Council
City of Hillsboro, Missouri

I 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, Missouri, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. I have also audited the combining and individual fund statements and schedules of the City of Hillsboro, Missouri as of and for the year ending June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the City of Hillsboro, Missouri, management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the City of Hillsboro, Missouri prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Missouri, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hillsboro, Missouri as of June 30, 2005,

Exhibit 1-1

and the respective changes in financial position - cash basis, and cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1. Also, in my opinion, the combining and individual fund statements and schedules referred to above present fairly, in all material respects, the financial position - cash basis of each of the individual funds of the City of Hillsboro, Missouri, as of June 30, 2005, and the revenues received, and expenditures paid, for the year then ended on the basis of accounting described in Note 1.

The management's discussion and analysis information on Exhibit 2 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Marble Hill, Missouri
January 4, 2006

Jeffrey J. Etkin CPA PC

CITY OF HILLSBORO, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005
UNAUDITED

Our discussion and analysis of the City of Hillsboro, Missouri's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statement's which begin on Exhibit 3.

FINANCIAL HIGHLIGHTS

The City's assets exceed its liabilities by \$6,013,855, which is an increase of \$1,056,901 from the previous year.

Total net assets consist of net investment in capital assets of \$5,104,721 and net assets available for operations of \$909,133.

The City's most significant general revenue is from sales tax of \$452,703.

The City also recognized revenue of \$913,000 from infrastructure dedicated to the City from subdivision developers.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The City has elected to present its financial statements on the cash basis of accounting. The cash basis does not conform with generally accepted accounting principles, but does conform with the cash basis and budget laws of the State of Missouri. The cash basis recognizes revenue when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide statements is the "Statement of Net Assets." This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may service as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the "Statement of Activities" which reports how the City's net assets changed during the current fiscal year.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues such as grants, from business-type activities that are intended to recover all or a significant portion of their cost through user fees and charges. Governmental activities include general government, public safety, street, and park. Business-type activities include water and sewer. Fiduciary activities such as employee pension plans are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). Most of these legally separate organizations operate like City departments, serve as financing vehicles for City services (revenue bond issuers), or are governed by a board of trustees wholly comprised for the City's Mayor and Council. These organizations are blended into the primary governments for financial reporting purposes. More comprehensive information about the City's component units can be found in Note 1 of the financial statements.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet-cash basis and the governmental fund statement of revenues received, expenditures paid, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund. Budgetary comparison schedules for other special revenue funds and the debt service fund can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water and sewer utilities.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The following table presents a summary of net assets:

	<u>2003</u>	June 30, <u>2004</u>	<u>2005</u>
Cash	\$2,102,874	\$1,851,473	\$ 909,133
Capital assets	<u>3,430,000</u>	<u>4,143,440</u>	<u>5,775,587</u>
Total assets	<u>5,532,874</u>	<u>5,994,913</u>	<u>6,684,720</u>
Current liabilities	<u>111,030</u>	<u>112,137</u>	<u>53,304</u>
Noncurrent liabilities	<u>1,037,959</u>	<u>925,821</u>	<u>617,561</u>
Total liabilities	<u>1,148,989</u>	<u>1,037,959</u>	<u>670,865</u>
Net assets:			
Investment in capital assets	2,281,011	3,105,481	5,104,721
Restricted	734,991	712,244	604,387
Unrestricted	<u>1,367,883</u>	<u>1,139,229</u>	<u>304,747</u>
Total net assets	<u>\$4,383,885</u>	<u>\$4,956,954</u>	<u>\$6,013,855</u>

The City's overall financial position improved during the fiscal year ending June 30, 2005.

The City is incurring significant growth through expansion and annexation, in residential and commercial establishments. This is primarily due to the City's location on a major highway near St. Louis, Missouri. Consequently, the City is in the process of upgrading utilities and infrastructure to accommodate the expansion.

Comparative data is accumulated and presented to assist analysis. The following table presents a summary of the City's change in net assets for the year ended June 30:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental Activities:			
Program revenues:			
Charges for services	\$ 131,794	\$ 144,800	\$ 181,828
Specialty grants and contributions	159,047	131,522	134,871
Capital grants and contributions	0	0	573,000

General revenues:

Taxes	699,247	728,785	748,688
Interest	24,181	19,697	168,113
Miscellaneous	25,092	16,157	22,668
Transfers	0	0	(68,023)
Total revenues	<u>1,039,361</u>	<u>1,040,961</u>	<u>1,609,145</u>

Expenses

City Hall Administration	324,008	370,087	418,926
Public safety	320,461	343,981	404,469
Highway and streets	195,419	147,826	127,841
Park	11,501	6,957	8,704
Debt-Service	115,023	111,377	23,409
Total expenses	<u>966,412</u>	<u>980,228</u>	<u>983,349</u>
Change in net assets	<u>\$ 72,949</u>	<u>\$ 60,733</u>	<u>\$ 625,796</u>

Business-Type Activities:

Program revenues:

Charges for services	\$ 521,822	\$ 550,282	\$ 611,160
Capital grants and contributions	138,660	308,379	340,000
Interest income	19,739	9,095	4,812
Miscellaneous	0	0	10,755
Transfers	0	0	68,023
Total revenues	<u>680,221</u>	<u>867,756</u>	<u>1,034,750</u>

Expenses:

Water and sewer	<u>399,766</u>	<u>436,450</u>	<u>603,645</u>
Change in net assets	<u>\$ 280,453</u>	<u>\$ 431,305</u>	<u>\$ 431,105</u>

Governmental Activities:

As explained in Note 1, E, the City receives a significant portion of general revenue from sales tax and franchise tax revenues. The City has accumulated resources in the Jefferson County Road Improvement Program for street development.

Business-Type Activities:

The water and sewer fund has operated at a profit for the years ending June 30, 2003 through 2005. The City has also received capital grants for improvement and expansion of the system.

General Fund Budgetary Highlights:

The budget provided for basic operating costs of the City departments. The budget also included costs for the street construction, which the City has significantly completed during the year.

CAPITAL ASSETS

An analysis of capital assets net of depreciation is as follows:

	June 30		
	2003	2004	2005
Governmental	<u>\$1,210,652</u>	<u>\$1,214,310</u>	<u>\$2,014,457</u>
Business-Type	<u>2,219,348</u>	<u>2,929,130</u>	<u>3,761,129</u>
	<u>\$3,430,000</u>	<u>\$4,143,440</u>	<u>\$5,775,586</u>

DEBT ADMINISTRATION

As explained in Note 3.C. of the financial statements, the City's debt consists of certificates of participation in lease agreements. Debt service for the Highway 21 commercial district is paid from Tax Increment Financing. Financing for the City Hall debt is paid from general fund revenues. Financing for water and sewer lease improvements is paid from the water and sewer fund.

The City retired the City Hall Series 2001 issue in the amount of \$315,000, during the year.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The budget for the year ending June 30, 2006 contains no significant changes in operating costs. The budget does contain \$357,100 for street and stormwater construction.

The City anticipates continued future growth in both population and area. This will generate additional revenue, but will also result in increased costs for infrastructure and public safety.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City Administrator, City of Hillsboro, Missouri, P.O. Box 19, Hillsboro, Missouri 63050.

CITY OF HILLSBORO, MISSOURI
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 CASH BASIS
 JUNE 30, 2005

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash	\$660,268.03	\$248,865.15	\$909,133.18
Capital assets (net)	2,014,456.78	3,761,129.56	5,775,586.34
Total assets	<u>2,674,724.81</u>	<u>4,009,994.71</u>	<u>6,684,719.52</u>
LIABILITIES:			
Due within one year:			
Lease Certificates of Participation	23,303.68	30,000.00	53,303.68
Due in more than one year:			
Lease Certificates of Participation	212,561.28	405,000.00	617,561.28
Total liabilities	<u>235,864.96</u>	<u>435,000.00</u>	<u>670,864.96</u>
NET ASSETS:			
Invested in capital assets, net of related debt	1,778,591.82	3,326,129.56	5,104,721.38
Restricted for:			
General	48,604.08	0.00	48,604.08
Debt service	124,667.22	0.00	124,667.22
Special revenue	329,166.28	0.00	329,166.28
Special activities	0.00	101,948.88	101,948.88
Unrestricted	<u>157,830.45</u>	<u>146,916.27</u>	<u>304,746.72</u>
Total net assets	<u>\$2,438,859.85</u>	<u>\$3,574,994.71</u>	<u>\$6,013,854.56</u>

See accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
 GOVERNMENT - WIDE STATEMENT OF ACTIVITIES
 CASH BASIS
 YEAR ENDED JUNE 30, 2005

Expenses	Program Revenues		
	Fees, Fines, Charges for Services	Specialty Grants and Contributions	Capital Grants and Contributions
Program Activities			
Governmental Activities:			
City Hall Administration	\$418,926.34	\$99,270.67	\$0.00
Public Safety	404,468.62	80,476.98	16,688.10
Highway and Streets	127,841.49	0.00	69,853.52
Park	8,703.72	2,080.00	0.00
Debt-Service	23,408.81	0.00	48,329.16
Total governmental activities	<u>983,348.98</u>	<u>181,827.65</u>	<u>134,870.78</u>
Business-Type Activities:			
Water and Sewer	603,645.42	611,159.82	0.00
Total business-type activities	<u>603,645.42</u>	<u>611,159.82</u>	<u>0.00</u>
Total government	<u>\$1,586,994.40</u>	<u>\$792,987.47</u>	<u>\$134,870.78</u>

General Revenues:

Taxes:

General revenue
 Sales tax
 Franchise tax
 Other taxes
 Interest income
 Miscellaneous
 Transfers

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$319,655.67)	\$0.00	(\$319,655.67)
(307,303.54)	0.00	(307,303.54)
515,012.03	0.00	515,012.03
(6,623.72)	0.00	(6,623.72)
24,920.35	0.00	24,920.35
<u>(93,650.55)</u>	<u>0.00</u>	<u>(93,650.55)</u>
0.00	347,514.40	347,514.40
<u>0.00</u>	<u>347,514.40</u>	<u>347,514.40</u>
<u>(93,650.55)</u>	<u>347,514.40</u>	<u>253,863.85</u>
109,779.28	0.00	109,779.28
452,703.47	0.00	452,703.47
184,974.56	0.00	184,974.56
1,230.66	0.00	1,230.66
16,113.31	4,811.96	20,925.27
22,668.24	10,755.21	33,423.45
(68,023.00)	68,023.00	0.00
<u>719,446.52</u>	<u>83,590.17</u>	<u>803,036.69</u>
625,795.97	431,104.57	1,056,900.54
<u>1,813,063.88</u>	<u>3,143,890.14</u>	<u>4,956,954.02</u>
<u>\$2,438,859.85</u>	<u>\$3,574,994.71</u>	<u>\$6,013,854.56</u>

CITY OF HILLSBORO, MISSOURI
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 GOVERNMENTAL FUNDS
 JUNE 30, 2005

	General Fund	Jefferson County Road Improvement Program	Other Governmental Funds	Total
Assets:				
Cash	\$246,226.53	\$305,082.55	\$108,958.95	\$660,268.03
Due from other funds	0.00	0.00	39,792.00	39,792.00
Total assets	<u>\$246,226.53</u>	<u>\$305,082.55</u>	<u>\$148,750.95</u>	<u>\$700,060.03</u>
Liabilities and Fund Balance				
Liabilities:				
Due to other funds	\$39,792.00	\$0.00	\$0.00	\$39,792.00
Total liabilities	<u>39,792.00</u>	<u>0.00</u>	<u>0.00</u>	<u>39,792.00</u>
Fund Balance:				
Reserved, reported in:				
General fund	48,604.08	0.00	0.00	48,604.08
Special revenue funds	0.00	305,082.55	24,083.73	329,166.28
Debt service funds	0.00	0.00	124,667.22	124,667.22
Unreserved, reported in:				
General fund	157,830.45	0.00	0.00	157,830.45
Total fund balance	<u>206,434.53</u>	<u>305,082.55</u>	<u>148,750.95</u>	<u>660,268.03</u>
Total liabilities and fund balance	<u><u>\$246,226.53</u></u>	<u><u>\$305,082.55</u></u>	<u><u>\$148,750.95</u></u>	<u><u>\$700,060.03</u></u>

See accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
 RECONCILIATION OF ASSETS, LIABILITIES, AND FUND BALANCES - ARISING FROM
 CASH TRANSACTIONS TO THE STATEMENT OF NET ASSETS - CASH BASIS
 JUNE 30, 2005

Total fund balance-total governmental funds		\$660,268.03
<p>Amounts reported for governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheets</p>		
Capital assets (net)		2,014,456.78
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet</p>		
Due within one year	\$23,303.68	
Due in more than one year	212,561.28	<u>(235,864.96)</u>
Net assets of governmental activities		<u><u>\$2,438,859.85</u></u>

CITY OF HILLSBORO, MISSOURI
 STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	General Fund	Jefferson County Road Improvement Program	Other Governmental Funds	Total
Revenues Received:				
Taxes:				
Sales tax	\$345,531.88	\$85,660.59	\$21,511.00	\$452,703.47
General revenue	94,173.76	0.00	15,605.52	109,779.28
Franchise tax	184,974.56	0.00	0.00	184,974.56
Other taxes	1,230.66	0.00	0.00	1,230.66
License and permits	45,988.91	0.00	0.00	45,988.91
Intergovernmental	86,541.62	0.00	48,329.16	134,870.78
Fines and costs	80,476.98	0.00	0.00	80,476.98
Charges for services	53,281.76	0.00	2,080.00	55,361.76
Interest income	4,536.44	8,661.09	2,915.78	16,113.31
Miscellaneous	22,668.24	0.00	0.00	22,668.24
Total revenues received	919,404.81	94,321.68	90,441.46	1,104,167.95
Expenditures Paid:				
Current:				
General government	405,037.34	0.00	0.00	405,037.34
Public safety	412,207.95	0.00	0.00	412,207.95
Street	168,227.18	195,787.32	0.00	364,014.50
Park	0.00	0.00	5,827.10	5,827.10
Debt service	0.00	0.00	360,503.12	360,503.12
Total expenditures paid	985,472.47	195,787.32	366,330.22	1,547,590.01
Excess (deficiency) of revenues received over expenditures paid	(66,067.66)	(101,465.64)	(275,888.76)	(443,422.06)
Other financing sources:				
Transfers	(326,738.56)	0.00	258,715.56	(68,023.00)
Excess (deficiency) of revenues received and other financing sources over expenditures paid	(392,806.22)	(101,465.64)	(17,173.20)	(511,445.06)
Fund balances, beginning of year	599,240.75	406,548.19	165,924.15	1,171,713.09
Fund balances, end of year	\$206,434.53	\$305,082.55	\$148,750.95	\$660,268.03

See accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
 RECONCILIATION OF THE STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES - CASH BASIS
 YEAR ENDED JUNE 30, 2005

Net change in fund balances-total governmental funds	(\$511,445.06)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and charges in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	266,501.91
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(39,355.19)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long- term liabilities in the Statement of Net Assets	337,094.31
Developer contribution is a noncash contribution of fixed assets.	<u>573,000.00</u>
Change in net assets of governmental funds	<u><u>\$625,795.97</u></u>

See accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
 STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDING JUNE 30, 2005

	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)
Revenues received:			
Taxes	\$625,910.86	\$734,385.00	(\$108,474.14)
Licenses and permits	45,988.91	23,007.00	22,981.91
Intergovernmental	86,541.62	113,222.00	(26,680.38)
Fines and costs	80,476.98	69,200.00	11,276.98
Charges for services	53,281.76	50,000.00	3,281.76
Interest income	4,536.44	1,825.00	2,711.44
Miscellaneous	22,668.24	13,327.00	9,341.24
Total revenues received	919,404.81	1,004,966.00	(85,561.19)
Expenditures paid:			
Administration	363,156.82	390,125.00	26,968.18
Court	41,880.52	49,931.00	8,050.48
Police	411,562.11	419,220.00	7,657.89
Civil defense	645.84	1,068.00	422.16
Street	168,227.18	610,930.00	442,702.82
Total expenditures	985,472.47	1,471,274.00	485,801.53
Excess (deficiency) of revenues received over expenditures paid	(66,067.66)	(466,308.00)	400,240.34
Other financing sources (uses)	(326,738.56)	0.00	(326,738.56)
Excess (deficiency) of revenues received over expenditures paid and other financing sources (uses)	(\$392,806.22)	(\$466,308.00)	\$73,501.78

CITY OF HILLSBORO, MISSOURI
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS - CASH BASIS
 YEAR ENDED JUNE 30, 2005

	Water and Sewer Enterprise Fund
ASSETS:	
Current assets:	
Cash	<u>\$248,865.15</u>
Noncurrent assets:	
Property, plant, and equipment	4,901,848.46
Less: Accumulated depreciation	<u>(1,140,718.90)</u>
	<u>3,761,129.56</u>
Total assets	<u>4,009,994.71</u>
LIABILITIES:	
Lease certificates payable	<u>435,000.00</u>
Total liabilities	<u>435,000.00</u>
NET ASSETS:	
Investment in capital assets, net of related debt	3,326,129.56
Restricted	101,948.88
Unrestricted	<u>146,916.27</u>
Total net assets	<u><u>\$3,574,994.71</u></u>

See the accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES RECEIVED, EXPENSES PAID,
 AND CHANGES IN FUND NET ASSETS
 YEAR ENDING JUNE 30, 2005

	Water and Sewer Enterprise Fund
Operating revenues received:	
Water and sewer revenues	\$575,946.86
Connection and other fees	35,212.96
	<hr/>
Total operating revenues received	611,159.82
	<hr/>
Operating expenses paid:	
Salaries and fringe benefits	32,019.64
Professional services	17,819.27
Contractual services	107,859.37
System repairs and maintenance	112,734.38
Utilities	85,653.56
Supplies and other expenses	45,671.10
Depreciation	161,972.51
Insurance	8,949.00
Sales tax	7,496.29
	<hr/>
Total operating expenses paid	580,175.12
	<hr/>
Operating income	30,984.70
	<hr/>
Nonoperating revenue (expense):	
Interest income	4,811.96
Interest expense	(23,470.30)
Cost share reimbursements	338.00
Miscellaneous	10,417.21
Transfers	68,023.00
	<hr/>
Total nonoperating revenue	60,119.87
	<hr/>
Net income	91,104.57
	<hr/>
Extraordinary items:	
Developer contributions	340,000.00
	<hr/>
Change in net assets	431,104.57
	<hr/>
Net assets, beginning of year	3,143,890.14
	<hr/>
Net assets, end of year	\$3,574,994.71
	<hr/> <hr/>

See the accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDING JUNE 30, 2005

	Water and Sewer Enterprise Fund
Cash flow from operating activities:	
Cash received from customers	\$611,159.82
Cash paid to employees and suppliers	(418,202.61)
Miscellaneous	10,417.21
	203,374.42
Cash provided by operating activities	
Cash flow from investment activities:	
Interest income	4,811.96
	4,811.96
Cash provided by investment activities	
Cash flow capital and related financing activities:	
Capital outlay	(993,971.66)
Debt service	(30,000.00)
Interest expense	(23,470.30)
Cost share reimbursements	338.00
Developer contributions	340,000.00
Transfers	68,023.00
	(639,080.96)
Cash provided (used) by capital and related financing activities	
Net increase (decrease) in cash	(430,894.58)
Cash balance, beginning of year	679,759.73
Cash balance, end of year	\$248,865.15

See the accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Hillsboro, Missouri are prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

A. Reporting Entity

The City of Hillsboro, Missouri is a fourth class City, as described in Revised Missouri Statutes, in which the citizens elect the mayor at large and eight council members by wards.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No 14, "The Financial Reporting Entity," and would include all component units in which the City appointed a voting majority of their board, or in which the City is either able to impose its will on the unit, or a financial benefit or burden relationship exists.

Included within the reporting entity:

Tax Increment Financing District

The district is created to provide financing services for development of infrastructure and real property which is designated for economic development within the City. District officers are appointed by the City. City employees manage the assets of the district. Also the City Council has significant

influence over the approval of expenditures of the district. The district is blended into the City's financial statements and reported in the debt service fund.

City of Hillsboro, Missouri Public Building Corporation

The Corporation is a not for profit corporation, which was created to provide financing services of capital improvements exclusively for the City of Hillsboro. The directors of the corporation are also approved by the City council. The component unit is blended into the City's financial statements and reported in the debt service fund, enterprise fund, and general long-term debt.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the city other than debt service payments made by enterprise funds.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Funds:**Brief Description**

General Fund

See above for description

Special Revenue Fund:
Jefferson County Road
Improvement ProgramAccounts for revenues and expendi-
tures designated for street
improvements.*Proprietary Fund:*Water and Sewer
Enterprise FundAccounts for operating activities of
the City's water and sewerage
utility service.**Nonmajor Funds:**Special Revenue Funds:
ParkAccounts for revenues and expendi-
tures that are legally restricted
for City parks.*Debt Service Funds:*North Highway 21
Redevelopment
TIF FundAccounts for the accumulation of
financial resources for debt service
Of the 1998 certificates of parti-
cipation in leasehold revenue bonds.Hillsboro City Hall
Project FundAccounts for the accumulation of
financial resources for debt service
of the 2001 certificates of parti-
cipation in leasehold revenue bonds.**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" 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

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined 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 fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The City uses the cash basis of accounting to record revenues and expenditures in all of the funds. The cash basis recognizes revenue when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. The cash basis of accounting does not conform to generally accepted accounting principles, but does conform with the cash basis and budget laws of the State of Missouri.

D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less,. Investments of the promissory note trustee accounts are not considered cash equivalents.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 3.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Fixed Assets

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

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Building	25-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years
Utility System	25-50 years
Infrastructure	25-50 years

Fund Financial Statements

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

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable.

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

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets-Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets-All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The City currently levies a one cent general sales tax, which is unrestricted and reported in the general fund. The City also levies a one-half cent capital improvement sales tax, which is reported in the general fund, and is expended for various capital projects as approved by the Board of Aldermen. The City also levies a one-half cent transportation sales tax, which is reported in special revenue fund, and is restricted for street purposes. The sales tax is collected by the Missouri Department of Revenue and remitted to the City in the month following receipt by the State.

Property Tax

The City levies a property tax on real property within the City limits at the following rates per \$100.00 valuation:

General Fund	\$.4962
Park Fund	<u>.0890</u>
Total	<u>\$.5852</u>

Property taxes are assessed upon real property owned as of January 1, 2004. The tax rate was computed and levied by August 31, 2004. The tax bills were mailed by November 1, 2004. Taxes become delinquent after December 31, 2004.

Franchise Tax

The City has levied a 5 percent tax upon the gross receipts from the sale of utility service within the City. The tax is levied on sales of electricity, natural gas, telephone service, and cable television service.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds-By Character: Current (further
classified by function)
Debt Service
Capital Outlay

Proprietary Fund-By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

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. An analysis of the City's compliance with

significant laws and regulations and demonstration of its stewardship over City resources follows.

A. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the city include the following:

Fund	Required By
Jefferson County Road Improvement Program	Ordinance
Park Fund	Ordinance
Hillsboro City Hall Project Fund	Bond Indenture
North Highway 21 Redevelopment TIF Fund	Bond Indenture
Water and Sewer Enterprise Fund	State Law

B. Deposit and Investment Laws and Regulations

In accordance with Missouri Statute Chapter 110, deposits of public funds, in excess of FDIC insurance, must be secured with collateral securities, as described in Missouri Statute Section 30.270. Collateral securities and investments are generally limited to bonds or other obligations issued by or guaranteed by the United States, and bonds or obligations of the State of Missouri or political subdivisions therein.

C. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 1E
Motor Vehicle Taxes	Street Purposes
Property Taxes	See Note 1E
Water and Sewer Revenue	Utility Operations

For the year ended June 30, 2005, the City complied, in all material respects, with these revenue restrictions.

D. Budget, Practice and Compliance

In accordance with Missouri statutes, budgets are adopted on a cash basis. Annual appropriated budgets are adopted for the general, special revenue, debt service, and enterprise funds.

All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

On July 12, 2004, the City adopted an ordinance authorizing the budget for the fiscal year ending June 30, 2005. The budget was prepared by fund, function, and activity of the general, special revenue, and enterprise funds. Budget hearings were held prior to the adoption of the budget. Authorized expenditures may not legally exceed budgeted appropriations during the year.

E. Debt Restrictions and Covenants

The City has issued various leasehold revenue bonds for capital improvements. The bonds require that the City pledge the lease and other revenues received from the development for debt service. The bond issues require that the City maintain current debt service and reserve accounts, to assure funds are available for debt service. The bond issues also require that the development property be adequately insured and maintained.

Note 3. Detail Notes on Transaction Classes/Accounts

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

A. Cash and Investments

Deposits

The City's policies regarding deposits of cash are discussed in Note 1.D. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2005. The categories of credit risk are defined as follows:

Category 1-Insured by FDIC or collateralized with securities held by the City or by its agent in its name.

Category 2-Uninsured but collateralized with securities held by the pledging financial institutions's trust department or agent in the City's name.

Category 3-Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the city's name; or collateralized with no written or approved collateral agreement.

	Bank Balance	1	Category 2	3
General Fund	\$246,226.53	\$246,226.53	\$0.00	\$0.00
Special Revenue	329,166.28	24,083.73	305,082.55	0.00
Debt Service Fund	84,875.22	84,875.22	0.00	0.00
Proprietary Fund	248,865.15	248,811.41	53.74	0.00
	<u>\$909,133.18</u>	<u>\$603,996.89</u>	<u>\$305,136.29</u>	<u>\$0.00</u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental Activities:				
Administration	\$779,800.71	\$328.99	\$0.00	\$780,129.70
Public Safety	128,843.00	12,880.00	(11,500.00)	130,223.00
Street	193,467.33	682,392.30	0.00	875,859.63
Park	553,679.00	0.00	0.00	553,679.00
Construction in Progress	0.00	143,900.62	0.00	143,900.62
	<u>1,655,790.04</u>	<u>839,501.91</u>	<u>(11,500.00)</u>	<u>2,483,791.95</u>
Less: Accumulated Depreciation	441,479.98	39,355.19	11,500.00	469,335.17
	<u>\$1,214,310.06</u>	<u>\$800,146.72</u>	<u>\$0.00</u>	<u>\$2,014,456.78</u>

Depreciation was charged to governmental activities for the government-wide financial statements as follows:

City Hall Administration	\$14,217.99
Public Safety	5,140.67
Highways and Streets	17,119.91
Park	<u>2,876.62</u>
	<u>\$39,355.19</u>

	Balance			Balance
	July 1, 2004	Additions	Deletions	June 30, 2005
Business-type activities:				
Water and Sewerage				
Utility System	\$2,984,829.63	\$1,216,850.18	\$0.00	\$4,201,679.81
Construction in Progress	923,047.17	581,482.85	(804,361.43)	700,168.59
	<u>3,907,876.80</u>	<u>1,798,333.03</u>	<u>(804,361.43)</u>	<u>4,901,848.40</u>
Less: Accumulated depreciation	(978,746.38)	(161,972.52)	0.00	(1,140,718.90)
	<u>\$2,929,130.42</u>	<u>\$1,636,360.51</u>	<u>(\$804,361.43)</u>	<u>\$3,761,129.50</u>

Construction in progress consists of the following capital projects:

Treatment plant modifications	\$621,894.89
Elm Street	<u>78,273.70</u>
	<u>\$700,168.59</u>

C. Long Term Debt

The following is a summary of long-term debt transactions of the City of Hillsboro, Missouri

	General Long-term Debt	Enterprise Lease
	<u>Certificates</u>	<u>Certificates</u>
Balance June 30, 2004	\$572,959.27	\$465,000.00
Debt retirement	<u>(337,094.31)</u>	<u>(30,000.00)</u>
Balance June 30, 2005	<u>\$235,864.96</u>	<u>\$435,000.00</u>

The annual requirements to amortize net long-term debt outstanding including interest of \$207,106.88 are as follows:

2006	\$ 35,267.34	\$ 52,182.50
2007	35,267.34	50,907.50
2008	35,267.34	54,452.50
2009	35,267.34	52,755.00
2010	35,267.34	51,057.50
Thereafter	<u>117,310.14</u>	<u>322,970.00</u>
	<u>\$293,646.84</u>	<u>\$584,325.00</u>

Enterprise assets acquired through capital leases are as follows:

Sewer System Improvements \$518,247.64

Long-term debt outstanding at June 30, 2005 consists of the following:

Lease Certificates

Series 1998, \$493,000.00 Certificates of Participation, the City of Hillsboro, Missouri as lessee, and Eagle Bank & Trust Company, Trustee as lessor, North Highway 21 Redevelopment Project (water and sewer improvements). Lease payments coincide with debt service requirements of the note payable. Lease payments of \$17,633.37 are due semiannually on November 1 and May 1. Interest on the note is at 5.2% with a rate adjustment to be reviewed on November 2, 2003. The note is secured by the water and sewer improvements and a pledge of Tax Increment Financing revenues. The debt, principal and interest, is serviced entirely from Tax Increment Financing revenues. \$235,864.96

Series 2001, \$495,000.00 Lease Refunding Certificates of Participation (City Hall Project). The City of Hillsboro, Missouri Public Building Corporation as lessor, the City of Hillsboro, Missouri as lessee, and UMB Bank, N.A. as trustee. Lease payments coincide with debt service obligations. Interest, at 3.8% to 4.6%, is due semiannually on February 15 and August 15, with principal due on February 15 annually. The certificates are secured by the rights to the lease revenues of the lease agreement and by a deed of trust on the real estate. The debt, principal and interest, is serviced by the general fund. The debt was retired on October 1, 2004. \$0.00

Series 2001A, \$525,000.00 Lease Refunding Certificates of the Participation (Hillsboro Water and Sewer Project). The City of Hillsboro, Missouri Public Building Corporation as lessor, the City of Hillsboro, Missouri as lessee, and UMB Bank, N.A. as trustee. Lease payments coincide with debt service obligations. Interest, at 4.25% to 5.4%, is due semiannually on March 1 and September 1, with principal due on March 1 annually. The certificates are secured by the rights to the lease revenues of the lease agreement and by a deed of trust on the water and sewer improvements. The debt, principal and interest, is serviced by the water and sewer enterprise fund. \$435,000.00

Note 4. Status of Significant Capital Projects

North Wastewater Treatment Plant

A joint venture with Jefferson College of Hillsboro, Missouri to construct a wastewater treatment plant and lift station. The construction was completed as of June 30, 2005 at a total cost of \$633,988.82, which is reported as an asset in the water and sewer enterprise fund. The project was funded by a combination of cost-share reimbursements from Jefferson College, EPA grants, and local water and sewer funds.

Note 5. Pension Plan

The City of Hillsboro participates in the Missouri Local government Employees Retirement system (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administration agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

The City of Hillsboro's full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 4.0% (general) and 7.5% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

An analysis of plan activity, pertaining to the City of Hillsboro, Missouri, for the year ending June 30, 2005 is as follows:

	<u>Employee Reserve</u>	<u>Employer Reserve</u>
Balance, July 1, 2004	\$46,436.93	\$644,441.14
Employer Contribution	0.00	15,314.03
Income	1,724.37	47,990.16
Transfers for retirement	<u>(3,327.80)</u>	<u>(4,398.01)</u>
Balance, June 30, 2005	<u>\$44,833.50</u>	<u>\$640,043.13</u>

Unfunded actuarial accrued liabilities as determined by the most recent actuarial valuation. \$(162,917.00)

Note 6. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CITY OF HILLSBORO, MISSOURI
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 JUNE 30, 2005

	Park Fund	North Hwy 21 TIF Fund	City Hall Project Fund	Total
ASSETS:				
Cash	\$24,083.73	\$84,875.22	\$0.00	\$108,958.95
Due from other funds	0.00	39,792.00	0.00	39,792.00
Total assets	\$24,083.73	\$124,667.22	\$0.00	\$148,750.95
FUND BALANCES:				
Reserved:				
Special revenue	\$24,083.73	\$0.00	\$0.00	\$24,083.73
Debt service	0.00	124,667.22	0.00	124,667.22
Total fund balances	\$24,083.73	\$124,667.22	\$0.00	\$148,750.95

CITY OF HILLSBORO, MISSOURI
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005

	Park Fund	North Hwy 21 TIF Fund	City Hall Project Fund	Total
REVENUES RECEIVED:				
Taxes:				
Sales tax	\$0.00	\$21,511.00	\$0.00	\$21,511.00
General revenue	15,605.52	0.00	0.00	15,605.52
Intergovernmental	0.00	48,329.16	0.00	48,329.16
Charges for services	2,080.00	0.00	0.00	2,080.00
Interest income	106.40	402.95	2,406.43	2,915.78
Total revenues received	17,791.92	70,243.11	2,406.43	90,441.46
EXPENDITURES PAID:				
Park	5,827.10	0.00	0.00	5,827.10
Debt service	0.00	35,267.34	325,235.78	360,503.12
Total expenditures paid	5,827.10	35,267.34	325,235.78	366,330.22
Excess (deficiency) of revenues received over expenditures paid	11,964.82	34,975.77	(322,829.35)	(275,888.76)
Other financing sources:				
Transfers	0.00	0.00	258,715.56	258,715.56
Excess (deficiency) of revenues received and other financing sources over expenditures paid	11,964.82	34,975.77	(64,113.79)	(17,173.20)
Fund balance, beginning of year	12,118.91	89,691.45	64,113.79	165,924.15
Fund balance, end of year	\$24,083.73	\$124,667.22	(\$0.00)	\$148,750.95

CITY OF HILLSBORO, MISSOURI
 GENERAL FUND
 STATEMENT OF ASSETS AND FUND BALANCE
 ARISING FROM CASH TRANSACTIONS
 JUNE 30, 2005

Assets	
Cash and investments	\$246,226.53
Total assets	\$246,226.53
Liabilities and Fund Balance	
Liabilities:	
Due to other funds	\$39,792.00
Total liabilities	39,792.00
Fund balance:	
Reserved for capital improvements	48,604.08
Unreserved, undesignated	157,830.45
Total fund balance	206,434.53
Total liabilities and fund balance	\$246,226.53

CITY OF HILLSBORO, MISSOURI
 GENERAL FUND
 STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
 AND CHANGES IN FUND BALANCE
 YEAR ENDING JUNE 30, 2005

Revenues received:	
Taxes: Sales tax	\$245,429.55
Capital improvement sales tax	100,102.33
General revenue tax	94,173.76
Franchise tax	184,974.56
Financial institution tax	1,230.66
Licenses and permits	45,988.91
Intergovernmental	
Motor vehicle taxes	69,853.52
School reimbursement	15,690.80
Grants	997.30
Fines and costs	80,476.98
Charges for services:	
Sanitation	53,281.76
Interest income	4,536.44
Miscellaneous	22,668.24
	<hr/>
Total revenues received	919,404.81
	<hr/>
Expenditures paid:	
General government	405,037.34
Public safety	412,207.95
Street	168,227.18
	<hr/>
Total expenditures paid	985,472.47
	<hr/>
Excess (deficiency) of revenues received over expenditures paid	(66,067.66)
Other financing sources:	
Transfers	(326,738.56)
	<hr/>
Excess (deficiency) of revenues received and other financing sources over expenditures paid	(392,806.22)
Fund balance, beginning of year	599,240.75
	<hr/>
Fund balance, end of year	\$206,434.53
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
GENERAL FUND
STATEMENT OF EXPENDITURES PAID
YEAR ENDING JUNE 30, 2005

General government:

Administration:

Salaries and fringe benefits	\$161,147.81
Professional services	69,428.60
Audit and accounting	7,995.00
Sanitation	50,178.60
Repairs and maintenance	5,963.32
Custodian	4,850.00
Office supplies	19,522.31
Insurance	5,329.00
Telephone	3,754.92
Utilities	5,245.27
Training	1,712.73
Miscellaneous	12,697.92
Dues & subscriptions	2,944.13
Election expenses	1,041.17
Capital outlay	3,060.22
Uniforms	526.97
Codification	7,758.85
Total administration	<u>363,156.82</u>

Court:

Salaries and fringe benefits	<u>41,880.52</u>
Total court	<u>41,880.52</u>

Total general government

405,037.34

Public safety:

Police:

Salaries and fringe benefits	321,328.56
911 service	5,781.75
Professional services	4,303.30
Repairs and maintenance	12,461.15
Animal control	1,012.80
Fuel	16,290.09
Supplies	2,454.56
Insurance	11,878.00
Training	9,388.14
Utilities	2,608.90
Telephone	4,756.18
Uniforms	3,465.00
Miscellaneous	15,653.68
Total police	<u>411,562.11</u>

(Continued)

CITY OF HILLSBORO, MISSOURI
 GENERAL FUND
 STATEMENT OF EXPENDITURES PAID
 YEAR ENDING JUNE 30, 2005

Civil Defense:	
Salaries and fringe benefits	645.84
Total civil defense	<u>645.84</u>
Total public safety	<u>412,207.95</u>
Street:	
Salaries and fringe benefits	81,141.09
Professional services	3,926.25
Street improvements	33,939.71
Repairs and maintenance	20,378.73
Fuel	4,001.97
Signs	1,071.98
Utilities	14,554.56
Insurance	4,397.00
Uniforms	2,138.22
Miscellaneous	927.75
Telephone	1,749.92
Total street	<u>168,227.18</u>
Total expenditures paid	<u><u>\$985,472.47</u></u>

CITY OF HILLSBORO, MISSOURI
GENERAL FUND
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDING JUNE 30, 2005

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)
Revenues received:					
Taxes	\$625,910.86	\$0.00	\$625,910.86	\$734,385.00	(\$108,474.14)
Licenses and permits	45,988.91	0.00	45,988.91	23,007.00	22,981.91
Intergovernmental	86,541.62	0.00	86,541.62	113,222.00	(26,680.38)
Fines and costs	80,476.98	0.00	80,476.98	69,200.00	11,276.98
Charges for services	53,281.76	0.00	53,281.76	50,000.00	3,281.76
Interest income	4,536.44	0.00	4,536.44	1,825.00	2,711.44
Miscellaneous	22,668.24	0.00	22,668.24	13,327.00	9,341.24
Total revenues received	919,404.81	0.00	919,404.81	1,004,966.00	(85,561.19)
Expenditures paid:					
Administration	363,156.82	0.00	363,156.82	390,125.00	26,968.18
Court	41,880.52	0.00	41,880.52	49,931.00	8,050.48
Police	411,562.11	0.00	411,562.11	419,220.00	7,657.89
Civil defense	645.84	0.00	645.84	1,068.00	422.16
Street	168,227.18	0.00	168,227.18	610,930.00	442,702.82
Total expenditures	985,472.47	0.00	985,472.47	1,471,274.00	485,801.53
Excess (deficiency) of revenues received over expenditures paid	(66,067.66)	0.00	(66,067.66)	(466,308.00)	400,240.34
Other financing sources (uses)	(326,738.56)	0.00	(326,738.56)	0.00	(326,738.56)
Excess (deficiency) of revenues received over expenditures paid and other financing sources (uses)	(392,806.22)	0.00	(\$392,806.22)	(\$466,308.00)	\$73,501.78

CITY OF HILLSBORO, MISSOURI
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2005

	Jefferson County Road Improvement Program	Park Fund	Total
<u>ASSETS</u>			
Cash and investments	\$305,082.55	\$24,083.73	\$329,166.28
Total assets	<u>\$305,082.55</u>	<u>\$24,083.73</u>	<u>\$329,166.28</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Fund balance - Reserved	\$305,082.55	\$24,083.73	\$329,166.28
Total liabilities and fund balance	<u>\$305,082.55</u>	<u>\$24,083.73</u>	<u>\$329,166.28</u>

CITY OF HILLSBORO, MISSOURI
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCE
YEAR ENDING JUNE 30, 2005

	Jefferson County		
	Road Improvement Program	Park Fund	Total
Revenues received:			
Taxes: Sales tax	\$85,660.59	\$0.00	\$85,660.59
General revenue tax	0.00	15,605.52	15,605.52
Charges for services	0.00	2,080.00	2,080.00
Interest income	8,661.09	106.40	8,767.49
Total revenues received	<u>94,321.68</u>	<u>17,791.92</u>	<u>112,113.60</u>
Expenditures paid:			
Street:			
Capital Improvements	195,787.32	0.00	195,787.32
Parks and recreation:			
Capital Improvements	0.00	4,016.00	4,016.00
Salaries	0.00	993.50	993.50
Professional services	0.00	210.00	210.00
Miscellaneous	0.00	607.60	607.60
Total expenditures paid	<u>195,787.32</u>	<u>5,827.10</u>	<u>201,614.42</u>
Excess (deficiency) of revenues received over expenditures paid	(101,465.64)	11,964.82	(89,500.82)
Fund balance, beginning of year	<u>406,548.19</u>	<u>12,118.91</u>	<u>418,667.10</u>
Fund balance, end of year	<u>\$305,082.55</u>	<u>\$24,083.73</u>	<u>\$329,166.28</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
SPECIAL REVENUE FUNDS
COMBINED STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID
BUDGET AND ACTUAL
YEAR ENDING JUNE 30, 2005

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)
Revenues received:					
Taxes	\$101,266.11	\$0.00	\$101,266.11	\$64,708.00	\$36,558.11
Charges for services	2,080.00	0.00	2,080.00	0.00	2,080.00
Intergovernmental	0.00	0.00	0.00	52,780.00	(52,780.00)
Interest income	8,767.49	0.00	8,767.49	60.00	8,707.49
Miscellaneous	0.00	0.00	0.00	12,520.00	(12,520.00)
Total revenues received	<u>112,113.60</u>	<u>0.00</u>	<u>112,113.60</u>	<u>130,068.00</u>	<u>(17,954.40)</u>
Expenditures paid:					
Street	195,787.32	0.00	195,787.32	200,000.00	4,212.68
Parks and recreation	5,827.10	0.00	5,827.10	91,038.00	85,210.90
Total expenditures paid	<u>201,614.42</u>	<u>0.00</u>	<u>201,614.42</u>	<u>291,038.00</u>	<u>89,423.58</u>
Excess (deficiency) of revenues received over expenditures paid	(89,500.82)	0.00	(89,500.82)	(160,970.00)	71,469.18
Other financing sources (uses)	0.00	0.00	0.00	0.00	0.00
Excess (deficiency) of revenues received over expenditures paid and other financing sources (uses)	<u>(\$89,500.82)</u>	<u>\$0.00</u>	<u>(\$89,500.82)</u>	<u>(\$160,970.00)</u>	<u>\$71,469.18</u>

CITY OF HILLSBORO, MISSOURI
 DEBT SERVICE FUNDS
 COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
 ARISING FROM CASH TRANSACTIONS
 JUNE 30, 2005

	Hillsboro City Hall Project Fund	North Highway 21 Redevelopment TIF Fund	Total
<u>ASSETS</u>			
Cash and investments	\$0.00	\$84,875.22	\$84,875.22
Due from other funds	0.00	39,792.00	39,792.00
 Total assets	 \$0.00	 \$124,667.22	 \$124,667.22
<u>LIABILITIES AND FUND BALANCE</u>			
Fund balance - Reserved	\$0.00	\$124,667.22	\$124,667.22
 Total liabilities and fund balance	 \$0.00	 \$124,667.22	 \$124,667.22

CITY OF HILLSBORO, MISSOURI
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2005

	Hillsboro City Hall Project Fund	North Highway 21 Redevelopment TIF Fund	Total
Revenues received:			
Taxes: Sales tax	\$0.00	\$21,511.00	\$21,511.00
Intergovernmental	0.00	48,329.16	48,329.16
Interest income	2,406.43	402.95	2,809.38
Total revenues	<u>2,406.43</u>	<u>70,243.11</u>	<u>72,649.54</u>
Expenditures paid:			
Debt service: 1998 Lease Certificates	0.00	35,267.34	35,267.34
2001 Lease Certificates	325,235.78	0.00	325,235.78
Total expenditures paid	<u>325,235.78</u>	<u>35,267.34</u>	<u>360,503.12</u>
Excess (deficiency) of revenues received over expenditures paid	(322,829.35)	34,975.77	(287,853.58)
Other financing sources (uses):			
Transfers	258,715.56	0.00	258,715.56
Excess (deficiency) of revenues received over expenditures paid and other financing sources (uses)	(64,113.79)	34,975.77	(29,138.02)
Fund balance, beginning of year	64,113.79	89,691.45	153,805.24
Fund balance, end of year	<u>(\$0.00)</u>	<u>\$124,667.22</u>	<u>\$124,667.22</u>

CITY OF HILLSBORO, MISSOURI
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDING JUNE 30, 2005

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)
Revenues received:					
Taxes	\$21,511.00	\$0.00	\$21,511.00		
Intergovernmental	48,329.16	0.00	48,329.16		
Interest income	2,809.38	0.00	2,809.38		
Total revenues received	<u>72,649.54</u>	<u>0.00</u>	<u>72,649.54</u>	<u>9,716.00</u>	<u>62,933.54</u>
Expenditures paid:					
Debt service	<u>360,503.12</u>	<u>0.00</u>	<u>360,503.12</u>	<u>55,758.00</u>	<u>(304,745.12)</u>
Total expenditures paid	<u>360,503.12</u>	<u>0.00</u>	<u>360,503.12</u>	<u>55,758.00</u>	<u>(304,745.12)</u>
Excess (deficiency) of revenues received over expenditures paid	(287,853.58)	0.00	(287,853.58)	(46,042.00)	(241,811.58)
Other financing sources (uses)	<u>258,715.56</u>	<u>0.00</u>	<u>258,715.56</u>	<u>0.00</u>	<u>258,715.56</u>
Excess (deficiency) of revenues received over expenditures paid and other financing sources (uses)	<u>(\$29,138.02)</u>	<u>\$0.00</u>	<u>(\$29,138.02)</u>	<u>(\$46,042.00)</u>	<u>\$16,903.98</u>

CITY OF HILLSBORO, MISSOURI
 WATER AND SEWER ENTERPRISE FUND
 STATEMENT OF ASSETS, LIABILITIES, AND FUND EQUITY
 ARISING FROM CASH TRANSACTIONS
 JUNE 30, 2005

ASSETS	
Current assets:	
Cash and investments	\$149,141.46
Total current assets	149,141.46
Restricted assets, cash , and investments:	
Construction account	2,171.45
System replacement accounts	97,498.50
Lease debt service account	53.74
Total restricted assets	99,723.69
Property, plant, and equipment:	
Water and sewer system	4,129,627.29
Equipment	72,052.52
Construction in progress	700,168.65
Less: Accumulated depreciation	(1,140,718.90)
Total property, plant, and equipment	3,761,129.56
Total assets	\$4,009,994.71
LIABILITIES AND NET ASSETS	
Liabilities:	
Lease certificates payable	\$435,000.00
Total liabilities	435,000.00
Net assets:	
Invested in capital assets, net of related debt	3,326,129.56
Reserved-construction and replacement	99,723.69
Reserved-debt service	2,225.19
Unreserved	146,916.27
Total net assets	3,574,994.71
Total liabilities and net assets	\$4,009,994.71

CITY OF HILLSBORO, MISSOURI
 WATER AND SEWER ENTERPRISE FUND
 STATEMENT OF REVENUES RECEIVED, EXPENSES PAID,
 AND CHANGES IN NET ASSETS
 YEAR ENDING JUNE 30, 2005

Operating revenues received:	
Water and sewer revenues	\$575,946.86
Connection and other fees	35,212.96
	<hr/>
Total operating revenues received	611,159.82
Operating expenses paid:	
Salaries and fringe benefits	32,019.64
Professional services	17,819.27
Contractual services	107,859.37
System repairs and maintenance	112,734.38
Utilities	85,653.56
Supplies and other expenses	45,671.10
Depreciation	161,972.51
Insurance	8,949.00
Sales tax	7,496.29
	<hr/>
Total operating expenses paid	580,175.12
Operating income	<hr/> 30,984.70
Nonoperating revenue (expense):	
Interest income	4,811.96
Interest expense	(23,470.30)
Cost share reimbursements	338.00
Miscellaneous	10,417.21
Transfers	68,023.00
	<hr/>
Total nonoperating revenue	60,119.87
Net income	<hr/> 91,104.57
Extraordinary items:	
Developer contributions	340,000.00
	<hr/>
Change in net assets	431,104.57
Net assets, beginning of year	<hr/> 3,143,890.14
Net assets, end of year	<hr/> <hr/> \$3,574,994.71