

University of Missouri, St. Louis

IRL @ UMSL

UMSLCAB - UMSL's Political Science Millennial
Era Saint Louis Local Curated Area Budgets

Political Science Department

1-1-2007

Annual Financial Report, 2006

City of Hillsboro

Follow this and additional works at: <https://irl.umsl.edu/cab>

Recommended Citation

City of Hillsboro, "Annual Financial Report, 2006" (2007). *UMSLCAB - UMSL's Political Science Millennial Era Saint Louis Local Curated Area Budgets*. 672.

<https://irl.umsl.edu/cab/672>

This Book is brought to you for free and open access by the Political Science Department at IRL @ UMSL. It has been accepted for inclusion in UMSLCAB - UMSL's Political Science Millennial Era Saint Louis Local Curated Area Budgets by an authorized administrator of IRL @ UMSL. For more information, please contact marvinh@umsl.edu.



SUSAN MONTEE, CPA

Missouri State Auditor

May 1, 2007

C.V. Vreeland, City Administrator
City of Hillsboro
Jefferson County
P.O. Box 19
Hillsboro, MO 63050

Fiscal Period: One Year Ended June 30, 2006 ✓

Dear Mr. Vreeland:

In accordance with Section 105.145, RSMo, we acknowledge receipt of the financial report of your political subdivision for the above-described fiscal period.

Thank you for your cooperation in sending this information.

Sincerely,

SUSAN MONTEE, CPA
STATE AUDITOR

A handwritten signature in cursive script that reads "Judy Buerky".

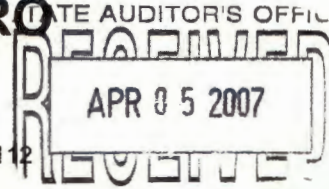
Judy Buerky
Local Government Analyst



CITY OF HILLSBORO

Incorporated since 1839

101 Main Street, P.O. Box 19
Hillsboro, Missouri 63050
Phone: (636) 797-3334 Fax: (636) 789-2112
email: cityhall@hillsboromo.org
web site: www.hillsboromo.org



FRANK ROLAND, JR., MAYOR

March 30, 2007

Ms. Susan Montee
Missouri State Auditor
301 West High Street
Office 880
P.O. Box 869
Jefferson City, MO 65102

RE: FISCAL PERIOD—07/01/05 TO 06/30/06

Dear Ms. Montee:

Please find enclosed the Annual Financial Report for the City of Hillsboro for the year ending June 30, 2006.

If you have any questions, please feel free to call me at 636-797-3334, ext. 3.

Sincerely,

C. V. Vreeland
C. V. Vreeland
City Administrator

CVV/eav

Enclosures

Cc: Mayor Frank A. Roland, Jr.
Gery Marmaduke, Assistant City Administrator
Board of Alderpersons
File

SUSAN MONTEE—FINANCIAL REPORT—ENDING 06-30-06

BOARD OF ALDERPERSONS

Ward No. 1
Larian Johnson
Brenda King

Ward No. 2
Scott Lowry
Frank Schultz

Ward No. 3
Nancy Maxwell
Joseph Phillips

Ward No. 4
Margie J. Allen
Thomas R. Stoltz

CITY OFFICIALS

C. V. VREELAND
City Administrator

GERY MARMADUKE
Assistant City Administrator

CHARLES BENNETT
Chief of Police

MELVIN D. ADEY
Municipal Judge

ELIZABETH VREELAND
Court Administrator

SHARON ARMSTRONG
City Collector

JACK C. STEWART
Special Counsel



CLAIRE C. McCASKILL
Missouri State Auditor

August 9, 2006

C.V. Vreeland, Treasurer
City of Hillsboro
P.O. Box 19
Hillsboro, MO 63050

RE: Hillsboro Special Road District of Jefferson County

Fiscal Period: One Year Ended June 30, 2006 ✓

Dear Mr. Vreeland:

In accordance with Section 105.145, RSMo, we acknowledge receipt of the financial report of your political subdivision for the above-described fiscal period.

Thank you for your cooperation in sending this information.

Sincerely,

CLAIRE C. McCASKILL
STATE AUDITOR.

Judy Buerky
Local Government Analyst



CITY OF HILLSBORO

Incorporated since 1839

101 Main Street, P.O. Box 19
Hillsboro, Missouri 63050
Phone: (636) 797-3334 Fax: (636) 789-2112
email: hillsborocityhall@cbnstl.com
web site: www.hillsboromo.org



FRANK ROLAND, JR., MAYOR

August 7, 2006

Ms. Claire C. McCaskill
State Auditor of Missouri
P.O. Box 869
Jefferson City, MO 65102

RE: FINANCIAL REPORT

Dear Ms. McCaskill:

Please find enclosed the Annual Report of Financial Transactions for the year 07/01/05 to 06/30/06 for the Hillsboro Special Road District.

Sincerely,

C. V. Vreeland

C. V. Vreeland
Treasurer

CVV/eav

Enclosures

MCCASKILL—FINANCIAL REPORT COVER

BOARD OF ALDERMAN

Ward No. 1
Larian Johnson
Brenda King

Ward No. 2
Scott Lowry
Frank Schultz

Ward No. 3
Nancy Maxwell
Joseph Phillips

Ward NO. 4
Mergie J. Allen
Thomas R. Stoltz

CITY OFFICIALS

C. V. VREELAND
City Administrator

GERY MARMADUKE
Assistant City Administrator

CHARLES BENNETT
Chief of Police

MELVIN D. ADEY
Municipal Judge

ELIZABETH VREELAND
Court Administrator

SHARON ARMSTRONG
City Collector

JACK C. STEWART
Special Counsel

Hillsboro Special Road District
Jefferson County

(Political Subdivision Name)

P O Box 19

Hillsboro, MO 63050

(Address)

(636) 797-3334

(Telephone Number)

(Email Address)

C.V. Vreeland, Treasurer
Hillsboro Spec Rd Dist Jefferson Co
P.O. Box 19
Hillsboro, MO 63050-0000

CERTIFICATION

I C. V. Vreeland, Treasurer of
(Name - please print) (Title)

Hillsboro Special Road District of Jefferson do attest, under oath, this
(Political subdivision) (County)

report is a true and accurate account of all financial transactions for the year ended June 30, 2006.
(month, day & year)

Signature C. V. Vreeland

Subscribed and sworn to before me this 3rd day of August, 2006.

Norma J. Avis

(Notary public signature)

NORMA J. AVIS
NOTARY PUBLIC-NOTARY SEAL
STATE OF MISSOURI
JEFFERSON COUNTY
MY COMMISSION EXPIRES JAN. 24, 2008

(Notary seal)

My Commission Expires: _____

Financial Statement Summary

For the Year Ended June 30, 2006

	Total All Funds	General Fund	Fund	Fund	Fund
Beginning Balance	\$ 60,522.35	\$ 60,522.35	\$	\$	\$
Total Receipts	28,329.37	28,329.37			
Total Disbursements	51,403.10	51,403.10			
Ending Balance	\$ 37,448.62	\$ 37,448.62	\$	\$	\$

Receipts

	Total All Funds	General Fund	Fund	Fund	Fund
Property Tax	\$ 28,007.39	\$ 28,007.39	\$	\$	\$
Total (101)	28,007.39	28,007.39			
Sales Tax					
Total (109)					
Franchise Tax					
Total (115)					
Intergovernmental Receipts					
Total					
Charges for Services					
Total					
Utility Receipts					
Total					
Interest Earned (120)	321.98	321.98			
Other Receipts and Transfers					
Interfund Transfers					
Total					
Total Receipts	\$ 28,329.37	\$ 28,329.37	\$	\$	\$

Disbursements (By Function)

	Total All Funds	General Fund	Fund	Fund	Fund
General Government (E29)	\$	\$	\$	\$	\$
Police (E62)					
Fire (E24)					
Streets and Roads (E44)	50,000.00	50,000.00			
Sanitation (E81)					
Health and Welfare (E82)					
Parks (E61)					
Libraries (E52)					
Debt Payments					
Treasurer	1,200.00	1,200.00			
Insurance	100.00	100.00			
Check Charges	103.10	103.10			
Interfund Transfers					
Total Disbursements by Function	\$ 51,403.10	\$ 51,403.10	\$	\$	\$

Disbursements (By Object)

	Total All Funds	General Fund	Fund	Fund	Fund
Salaries (Z00)	\$ 1,200.00	\$ 1,200.00	\$	\$	\$
Fringe Benefits					
Operations	203.10	203.10			
Debt Payments					
Capital Expenditures (V98)	50,000.00	50,000.00			
Interfund Transfers					
Total Disbursements by Object	\$ 51,403.10	\$ 51,403.10	\$	\$	\$

Statement of Indebtedness

Issue Description	Outstanding Beginning of Fiscal Year	Issued During Fiscal Year	Retired During Fiscal Year	Outstanding End of Fiscal Year
General Obligation Bonds	N/A (12X) \$	(22X) \$	(32X) \$	(42X) \$
Revenue Bonds	(12X)	(22X)	(32X)	(42X)
Other Debt				
Totals	\$	\$	\$	\$

Statement of Assessed Valuation and Tax Rates

Assessed Valuation

Real Estate	\$ 15,058,400
Personal Property	5,707,743
State Assessed Railroad and Utility	892,502
Total Valuation	\$ 21,658,645

Tax Rates

Funds	Tax Rate (per \$100)
General Fund	0.1834

CITY OF HILLSBORO, MISSOURI

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2006

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

CITY OF HILLSBORO, MISSOURI

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2006

CONTENTS

	<u>Exhibit</u>
Report of Independent Certified Public Accountant	1
Management Discussion and Analysis (unaudited)	2
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Statement of Net Assets - Cash Basis	3
Statement of Activities - Cash Basis	4
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets, Liabilities and Fund Balances Arising From Cash Transactions	5
Reconciliation of the Statement of Assets, Liabilities, and Fund Balances - Arising From Cash Transactions - To the Statement of Net Assets - Cash Basis	6
Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balances to Statement of Activities - Cash Basis	8
Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance - Budget to Actual - General Fund	9
Proprietary Funds:	
Statement of Net Assets - Cash Basis	10
Statement of Revenues Received, Expenses Paid, and Changes in Fund Net Assets	11
Statement of Cash Flows	12
Notes to Basic Financial Statements	13
<u>Combining and Individual Fund Statements and Schedules:</u>	
Combining Financial Statements-Non-major Governmental Funds:	
Combining Statement of Assets, Liabilities, and Fund Balances - Arising From Cash Transactions	14
Combining Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balances	15
General Fund:	
Statement of Assets and Fund Balance Arising From Cash Transactions	16
Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance	17
Statement of Expenditures Paid	18

Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance - Budget and Actual	19
Special Revenue Funds:	
Combining Statement of Assets, Liabilities, and Fund Balance Arising From Cash Transactions	20
Combining Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance	21
Combining Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance - Budget and Actual	22
Debt Service Funds:	
Combining Statement of Assets, Liabilities, and Fund Balance Arising From Cash Transactions	23
Combining Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance	24
Combining Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balance - Budget and Actual	25
Enterprise Fund:	
Statement of Assets, Liabilities, and Net Assets Arising From Cash Transactions	26
Statement of Revenues Received, Expenditures Paid, and Changes in Net Assets	27

Jeffrey J. Eftink, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 1130

Marble Hill, Missouri 63764

Telephone 573 / 238-3334

Fax 573 / 238-4762

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, 2006, 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, 2006, 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, 2006,

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, 2006, 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
December 5, 2006

 CPA PC

CITY OF HILLSBORO, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2006
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, 2006. 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 \$6,315,100, which is an increase of \$301,245 from the previous year.

Total net assets consist of net investment in capital assets of \$5,960,972 and net assets available for operations of \$971,684.

The City's most significant general revenue is from sales tax of \$459,647.

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 serve 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>2004</u>	June 30, <u>2005</u>	<u>2006</u>
Cash	\$1,851,473	\$ 909,133	\$ 971,684
Capital assets	<u>4,143,440</u>	<u>5,775,587</u>	<u>5,960,972</u>
Total assets	<u>5,994,913</u>	<u>6,684,720</u>	<u>6,932,656</u>
Current liabilities	<u>112,137</u>	<u>53,304</u>	<u>54,531</u>
Noncurrent liabilities	<u>925,821</u>	<u>617,561</u>	<u>563,025</u>
Total liabilities	<u>1,037,959</u>	<u>670,865</u>	<u>617,556</u>
Net assets:			
Investment in capital assets	3,105,481	5,104,721	5,343,416
Restricted	712,244	604,387	566,684
Unrestricted	<u>1,139,229</u>	<u>304,747</u>	<u>405,000</u>
Total net assets	<u>\$4,956,954</u>	<u>\$6,013,855</u>	<u>\$6,315,100</u>

The City's overall financial position improved during the fiscal year ending June 30, 2006.

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>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities:			
Program revenues:			
Charges for services	\$ 144,800	\$ 181,828	\$ 212,867
Specialty grants and contributions	131,522	134,871	138,228
Capital grants and contributions	0	573,000	108,329

General revenues:			
Taxes	728,785	748,688	767,881
Interest	19,697	168,113	9,072
Miscellaneous	16,157	22,668	57,972
Transfers	0	(68,023)	0
Total revenues	<u>1,040,961</u>	<u>1,609,145</u>	<u>1,294,349</u>

Expenses			
City Hall Administration	370,087	418,926	427,679
Public safety	343,981	404,469	436,455
Highway and streets	147,826	127,841	136,064
Park	6,957	8,704	17,726
Debt-Service	111,377	23,409	11,958
Total expenses	<u>980,228</u>	<u>983,349</u>	<u>1,029,882</u>
Change in net assets	<u>\$ 60,733</u>	<u>\$ 625,796</u>	<u>\$ 264,467</u>

Business-Type Activities:

Program revenues:			
Charges for services	\$ 550,282	\$ 611,160	\$ 673,158
Capital grants and contributions	308,379	340,000	0
Interest income	9,095	4,812	2,377
Miscellaneous	0	10,755	27,416
Transfers	0	68,023	0
Total revenues	<u>867,756</u>	<u>1,034,750</u>	<u>702,951</u>

Expenses:

Water and sewer	<u>436,450</u>	<u>603,645</u>	<u>666,173</u>
Change in net assets	<u>\$ 431,305</u>	<u>\$ 431,105</u>	<u>\$ 36,778</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, 2004 through 2006. 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:

	<u>2004</u>	June 30 <u>2005</u>	<u>2006</u>
Governmental	\$1,214,310	\$2,014,457	\$2,350,936
Business-Type	<u>2,929,130</u>	<u>3,761,129</u>	<u>3,610,036</u>
	<u>\$4,143,440</u>	<u>\$5,775,586</u>	<u>\$5,960,972</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 water and sewer lease improvements is paid from the water and sewer fund.

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 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, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash	\$577,377.34	\$394,306.70	\$971,684.04
Due from other funds	(12,430.70)	12,430.70	0.00
Capital assets (net)	2,350,936.26	3,610,035.60	5,960,971.86
Total assets	2,915,882.90	4,016,773.00	6,932,655.90
LIABILITIES:			
Due within one year:			
Lease Certificates of Participation	24,531.21	30,000.00	54,531.21
Due in more than one year:			
Lease Certificates of Participation	188,024.73	375,000.00	563,024.73
Total liabilities	212,555.94	405,000.00	617,555.94
NET ASSETS:			
Invested in capital assets, net of related debt	2,138,380.32	3,205,035.60	5,343,415.92
Restricted for:			
General	174,410.89	0.00	174,410.89
Debt service	165,939.85	100.33	166,040.18
Special revenue	148,511.06	0.00	148,511.06
Special activities	0.00	77,722.10	77,722.10
Unrestricted	76,084.84	328,914.97	404,999.81
Total net assets	\$2,703,326.96	\$3,611,773.00	\$6,315,099.96

See accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
GOVERNMENT - WIDE STATEMENT OF ACTIVITIES
CASH BASIS
YEAR ENDED JUNE 30, 2006

	Program Revenues			
	Expenses	Fees, Fines, Charges for Services	Specialty Grants and Contributions	Capital Grants and Contributions
Program Activities				
Governmental Activities:				
City Hall Administration	\$427,679.02	\$97,287.34	\$0.00	\$0.00
Public Safety	436,455.05	113,584.85	87,038.21	2,661.72
Highway and Streets	136,064.27	0.00	90,116.08	105,667.00
Park	17,726.17	1,995.00	0.00	0.00
Debt-Service	11,958.32	0.00	51,190.16	0.00
Total governmental activities	<u>1,029,882.83</u>	<u>212,867.19</u>	<u>228,344.45</u>	<u>108,328.72</u>
Business-Type Activities:				
Water and Sewer	<u>666,172.59</u>	<u>673,157.60</u>	<u>0.00</u>	<u>0.00</u>
Total business-type activities	<u>666,172.59</u>	<u>673,157.60</u>	<u>0.00</u>	<u>0.00</u>
Total government	<u>\$1,696,055.42</u>	<u>\$886,024.79</u>	<u>\$228,344.45</u>	<u>\$108,328.72</u>

General Revenues:

Taxes:

General revenue

Sales tax

Franchise tax

Other taxes

Interest income

Miscellaneous

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
(\$330,391.68)	\$0.00	(\$330,391.68)
(233,170.27)	0.00	(233,170.27)
59,718.81	0.00	59,718.81
(15,731.17)	0.00	(15,731.17)
39,231.84	0.00	39,231.84
(480,342.47)	0.00	(480,342.47)
0.00	6,985.01	6,985.01
0.00	6,985.01	6,985.01
(480,342.47)	6,985.01	(473,357.46)
124,091.03	0.00	124,091.03
369,530.51	0.00	369,530.51
182,544.33	0.00	182,544.33
1,599.43	0.00	1,599.43
9,072.34	2,377.47	11,449.81
57,971.94	27,415.81	85,387.75
744,809.58	29,793.28	774,602.86
264,467.11	36,778.29	301,245.40
2,438,859.85	3,574,994.71	6,013,854.56
\$2,703,326.96	\$3,611,773.00	\$6,315,099.96

CITY OF HILLSBORO, MISSOURI
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	Jefferson County Road Improvement Program	Other Governmental Funds	Total
Assets:				
Cash	\$287,825.11	\$119,010.86	\$170,541.37	\$577,377.34
Due from other funds	0.00	0.00	24,898.68	24,898.68
Total assets	\$287,825.11	\$119,010.86	\$195,440.05	\$602,276.02
Liabilities and Fund Balance				
Liabilities:				
Due to other funds	\$37,329.38	\$0.00	\$0.00	\$37,329.38
Total liabilities	37,329.38	0.00	0.00	37,329.38
Fund Balance:				
Reserved, reported in:				
General fund	174,410.89	0.00	0.00	174,410.89
Special revenue funds	0.00	119,010.86	29,500.20	148,511.06
Debt service funds	0.00	0.00	165,939.85	165,939.85
Unreserved, reported in:				
General fund	76,084.84	0.00	0.00	76,084.84
Total fund balance	250,495.73	119,010.86	195,440.05	564,946.64
Total liabilities and fund balance	\$287,825.11	\$119,010.86	\$195,440.05	\$602,276.02

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, 2006

Total fund balance-total governmental funds		\$564,946.64
<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)		2,350,936.26
<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	\$24,531.21	
Due in more than one year	188,024.73	<u>(212,555.94)</u>
Net assets of governmental activities		<u><u>\$2,703,326.96</u></u>

CITY OF HILLSBORO, MISSOURI
 STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	General Fund	Jefferson County Road Improvement Program	Other Governmental Funds	Total
Revenues Received:				
Taxes:				
Sales tax	\$344,745.83	\$90,116.08	\$24,784.68	\$459,646.59
General revenue	105,976.35	0.00	18,114.68	124,091.03
Franchise tax	182,544.33	0.00	0.00	182,544.33
Other taxes	1,599.43	0.00	0.00	1,599.43
License and permits	34,391.94	0.00	0.00	34,391.94
Intergovernmental	195,366.93	0.00	51,190.16	246,557.09
Fines and costs	113,584.85	0.00	0.00	113,584.85
Charges for services	62,895.40	0.00	1,995.00	64,890.40
Interest income	2,438.77	5,912.10	721.47	9,072.34
Miscellaneous	57,971.94	0.00	0.00	57,971.94
Total revenues received	1,101,515.77	96,028.18	96,805.99	1,294,349.94
Expenditures Paid:				
Current:				
General government	417,670.68	0.00	0.00	417,670.68
Public safety	449,298.52	0.00	0.00	449,298.52
Street	190,485.37	282,099.87	0.00	472,585.24
Park	0.00	0.00	14,849.55	14,849.55
Debt service	0.00	0.00	35,267.34	35,267.34
Total expenditures paid	1,057,454.57	282,099.87	50,116.89	1,389,671.33
Excess (deficiency) of revenues received over expenditures paid	44,061.20	(186,071.69)	46,689.10	(95,321.39)
Fund balances, beginning of year	206,434.53	305,082.55	148,750.95	660,268.03
Fund balances, end of year	\$250,495.73	\$119,010.86	\$195,440.05	\$564,946.64

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, 2006

Net change in fund balances-total governmental funds	(\$95,321.39)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	399,824.43
<p>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.</p>	(63,344.95)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets</p>	<u>23,309.02</u>
Change in net assets of governmental funds	<u><u>\$264,467.11</u></u>

CITY OF HILLSBORO, MISSOURI
 STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDING JUNE 30, 2006

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues received:				
Taxes	\$729,518.00	\$729,518.00	\$634,865.94	(\$94,652.06)
Licenses and permits	33,200.00	33,200.00	34,391.94	1,191.94
Intergovernmental	179,156.00	179,156.00	195,366.93	16,210.93
Fines and costs	78,000.00	78,000.00	113,584.85	35,584.85
Charges for services	52,137.00	52,137.00	62,895.40	10,758.40
Interest income	1,500.00	1,500.00	2,438.77	938.77
Miscellaneous	3,300.00	3,300.00	57,971.94	54,671.94
Total revenues received	<u>1,076,811.00</u>	<u>1,076,811.00</u>	<u>1,101,515.77</u>	<u>24,704.77</u>
Expenditures paid:				
Administration	336,768.00	336,768.00	370,649.26	(33,881.26)
Court	50,381.00	50,381.00	47,021.42	3,359.58
Police	441,112.00	441,112.00	448,652.68	(7,540.68)
Civil defense	1,067.00	1,067.00	645.84	421.16
Street	171,423.00	140,108.00	190,485.37	(50,377.37)
Total expenditures	<u>1,000,751.00</u>	<u>969,436.00</u>	<u>1,057,454.57</u>	<u>(88,018.57)</u>
Excess (deficiency) of revenues received over expenditures paid	<u>\$76,060.00</u>	<u>\$107,375.00</u>	<u>\$44,061.20</u>	<u>(\$63,313.80)</u>

See accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS - CASH BASIS
 YEAR ENDED JUNE 30, 2006

	<u>Water and Sewer Enterprise Fund</u>
ASSETS:	
Current assets:	
Cash	\$394,306.70
Due from other funds	<u>12,430.70</u>
	<u>406,737.40</u>
Noncurrent assets:	
Property, plant, and equipment	4,949,495.92
Less: Accumulated depreciation	<u>(1,339,460.32)</u>
	<u>3,610,035.60</u>
Total assets	<u>4,016,773.00</u>
LIABILITIES:	
Lease certificates payable	<u>405,000.00</u>
Total liabilities	<u>405,000.00</u>
NET ASSETS:	
Investment in capital assets, net of related debt	3,205,035.60
Restricted	77,822.43
Unrestricted	<u>328,914.97</u>
Total net assets	<u><u>\$3,611,773.00</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, 2006

	<u>Water and Sewer Enterprise Fund</u>
Operating revenues received:	
Water and sewer revenues	\$619,049.54
Connection and other fees	<u>54,108.06</u>
Total operating revenues received	<u>673,157.60</u>
Operating expenses paid:	
Salaries and fringe benefits	61,847.74
Professional services	77,400.41
Contractual services	104,353.00
System repairs and maintenance	103,504.65
Utilities	63,817.69
Supplies and other expenses	12,567.10
Depreciation	198,741.42
Insurance	14,798.00
Sales tax	<u>6,960.08</u>
Total operating expenses paid	<u>643,990.09</u>
Operating income	<u>29,167.51</u>
Nonoperating revenue (expense):	
Interest income	2,377.47
Interest expense	(22,182.50)
Miscellaneous	<u>27,415.81</u>
Total nonoperating revenue	<u>7,610.78</u>
Net income	<u>36,778.29</u>
Change in net assets	36,778.29
Net assets, beginning of year	<u>3,574,994.71</u>
Net assets, end of year	<u><u>\$3,611,773.00</u></u>

See the accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDING JUNE 30, 2006

	<u>Water and Sewer Enterprise Fund</u>
Cash flow from operating activities:	
Cash received from customers	\$673,157.60
Cash paid to employees and suppliers	(445,248.67)
Miscellaneous	27,415.81
	<u>255,324.74</u>
Cash provided by operating activities	
Cash flow from investment activities:	
Interest income	2,377.47
	<u>2,377.47</u>
Cash provided by investment activities	
Cash flow capital and related financing activities:	
Capital outlay	(47,647.46)
Debt service	(30,000.00)
Interest expense	(22,182.50)
Interfund transfers	(12,430.70)
	<u>(112,260.66)</u>
Cash provided (used) by capital and related financing activities	
Net increase (decrease) in cash	145,441.55
Cash balance, beginning of year	<u>248,865.15</u>
Cash balance, end of year	<u><u>\$394,306.70</u></u>

See the accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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 three-eighths 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 sales tax is collected by the Missouri Department of Revenue and remitted to the City in the month following receipt by the State.

The City also participates in a sales tax revenue sharing agreement with Jefferson County, Missouri, in which a one-half cent transportation sales tax is levied by Jefferson County and shared with the municipalities within the County. The City's allocable share of the revenue is reported in the special revenue fund and is restricted for street purposes.

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	\$.4712
Park Fund	<u>.0845</u>
Total	<u>\$.5557</u>

Property taxes are assessed upon real property owned as of January 1, 2005. The tax rate was computed and levied by August 31, 2005. The tax bills were mailed by November 1, 2005. Taxes become delinquent after December 31, 2005.

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, 2006, 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 June 27, 2005, the City adopted an ordinance authorizing the budget for the fiscal year ending June 30, 2006. The budget was prepared by fund, function, and activity of the general, special revenue, and enterprise funds. The Budget was amended on August 1, 2005. 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, 2006. 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	\$287,825.11	\$287,825.11	\$0.00	\$0.00
Special Revenue	148,511.06	29,500.20	119,010.86	0.00
Debt Service Fund	141,041.17	141,041.17	0.00	0.00
Proprietary Fund	394,306.70	394,206.37	100.33	0.00
	<u>\$971,684.04</u>	<u>\$852,572.85</u>	<u>\$119,111.19</u>	<u>\$0.00</u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance		Balance	
	July 1, 2005	Additions	Deletions	June 30, 2006
Governmental Activities:				
Administration	\$780,129.70	\$4,425.03	\$0.00	\$784,554.73
Public Safety	130,223.00	19,133.60	0.00	149,356.60
Street	875,859.63	520,166.42	0.00	1,396,026.05
Park	553,679.00	0.00	0.00	553,679.00
Construction in Progress	143,900.62	256,257.60	(400,158.22)	0.00
	<u>2,483,791.95</u>	<u>799,982.65</u>	<u>(400,158.22)</u>	<u>2,883,616.38</u>
Less: Accumulated Depreciation	469,335.17	63,344.95	0.00	532,680.12
	<u>\$2,014,456.78</u>	<u>\$736,637.70</u>	<u>(\$400,158.22)</u>	<u>\$2,350,936.26</u>

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

City Hall Administration	\$14,433.37
Public Safety	6,290.13
Highways and Streets	39,744.83
Park	<u>2,876.62</u>
	<u>\$63,344.45</u>

	Balance			Balance
	July 1, 2005	Additions	Deletions	June 30, 2006
Business-type activities:				
Water and Sewerage				
Utility System	\$4,201,679.81	\$741,027.71	\$0.00	\$4,942,707.52
Construction in Progress	700,168.59	45,730.03	739,110.22	6,788.40
	<u>4,901,848.40</u>	<u>786,757.74</u>	<u>739,110.22</u>	<u>4,949,495.92</u>
Less: Accumulated depreciation	(1,140,718.90)	(198,741.42)	0.00	(1,339,460.32)
	<u>\$3,761,129.50</u>	<u>\$588,016.32</u>	<u>\$739,110.22</u>	<u>\$3,610,035.60</u>

Construction in progress consists of the following capital projects:

North Highway 21-Force Main	\$ 6,788.40
	<u>\$ 6,788.40</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 Certificates	Lease Certificates
Balance June 30, 2005	\$235,864.96	\$435,000.00
Debt retirement	<u>(23,309.02)</u>	<u>(30,000.00)</u>
Balance June 30, 2006	<u>\$212,555.94</u>	<u>\$405,000.00</u>

The annual requirements to amortize net long-term debt outstanding including interest of \$172,966.06 are as follows:

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
2011	35,267.34	54,360.00
2012 thru 2016	<u>82,042.80</u>	<u>268,610.00</u>
	<u>\$258,379.50</u>	<u>\$532,142.50</u>

Enterprise assets acquired through capital leases are as follows:

Sewer System Improvements	<u>\$518,247.64</u>
---------------------------	---------------------

Long-term debt outstanding at June 30, 2006 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%. 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. \$212,555.94

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. \$405,000.00

Note 4. 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, 2006 is as follows:

	<u>Employee Reserve</u>	<u>Employer Reserve</u>
Balance, July 1, 2005	\$44,833.50	\$640,043.13
Employer Contribution	0.00	16,084.03
Income	1,793.33	103,536.36
Transfers for retirement	<u>0.00</u>	<u>(5,272.63)</u>
Balance, June 30, 2006	<u>\$46,626.83</u>	<u>\$754,390.89</u>

Unfunded actuarial accrued liabilities as determined by the most recent actuarial valuation. \$(206,516.00)

Note 5. 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.

Note 6. Subsequent Events

Bond Election

On August 8, 2006, the voters of the City of Hillsboro approved issuing \$8.5 million combined waterworks and sewerage system revenue bonds for anticipated construction projects. The City had not made any firm commitments to issue the authorized bonds as of the date of this report.

CITY OF HILLSBORO, MISSOURI
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2006

	Park Fund	North Hwy 21 TIF Fund	Total
ASSETS:			
Cash	\$29,500.20	\$141,041.17	\$170,541.37
Due from other funds	0.00	24,898.68	24,898.68
Total assets	\$29,500.20	\$165,939.85	\$195,440.05
FUND BALANCES:			
Reserved:			
Special revenue	\$29,500.20	\$0.00	\$29,500.20
Debt service	0.00	165,939.85	165,939.85
Total fund balances	\$29,500.20	\$165,939.85	\$195,440.05

CITY OF HILLSBORO, MISSOURI
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
 AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2006

	Park Fund	North Hwy 21 TIF Fund	Total
REVENUES RECEIVED:			
Taxes:			
Sales tax	\$0.00	\$24,784.68	\$24,784.68
General revenue	18,114.68	0.00	18,114.68
Intergovernmental	0.00	51,190.16	51,190.16
Charges for services	1,995.00	0.00	1,995.00
Interest income	156.34	565.13	721.47
Total revenues received	20,266.02	76,539.97	96,805.99
EXPENDITURES PAID:			
Park	14,849.55	0.00	14,849.55
Debt service	0.00	35,267.34	35,267.34
Total expenditures paid	14,849.55	35,267.34	50,116.89
Excess (deficiency) of revenues received over expenditures paid	5,416.47	41,272.63	46,689.10
Fund balance, beginning of year	24,083.73	124,667.22	148,750.95
Fund balance, end of year	\$29,500.20	\$165,939.85	\$195,440.05

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

CITY OF HILLSBORO, MISSOURI
 GENERAL FUND
 STATEMENT OF ASSETS AND FUND BALANCE
 ARISING FROM CASH TRANSACTIONS
 JUNE 30, 2006

<u>Assets</u>	
Cash and investments	<u>\$287,825.11</u>
Total assets	<u><u>\$287,825.11</u></u>
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Due to other funds	<u>\$37,329.38</u>
Total liabilities	<u>37,329.38</u>
Fund balance:	
Reserved for capital improvements	174,410.89
Unreserved, undesignated	<u>76,084.84</u>
Total fund balance	<u>250,495.73</u>
Total liabilities and fund balance	<u><u>\$287,825.11</u></u>

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

CITY OF HILLSBORO, MISSOURI
 GENERAL FUND
 STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
 AND CHANGES IN FUND BALANCE
 YEAR ENDING JUNE 30, 2006

Revenues received:	
Taxes: Sales tax	\$243,964.78
Capital improvement sales tax	100,781.05
General revenue tax	105,976.35
Franchise tax	182,544.33
Financial institution tax	1,599.43
Licenses and permits	34,391.94
Intergovernmental	
Motor vehicle taxes	68,722.21
School reimbursement	18,316.00
Grants	108,328.72
Fines and costs	113,584.85
Charges for services:	
Sanitation	62,895.40
Interest income	2,438.77
Miscellaneous	57,971.94
	<u>1,101,515.77</u>
Total revenues received	
Expenditures paid:	
General government	417,670.68
Public safety	449,298.52
Street	190,485.37
	<u>1,057,454.57</u>
Total expenditures paid	
Excess (deficiency) of revenues received over expenditures paid	44,061.20
Fund balance, beginning of year	<u>206,434.53</u>
Fund balance, end of year	<u><u>\$250,495.73</u></u>

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, 2006

General government:

Administration:

Salaries and fringe benefits	\$166,223.52
Professional services	82,482.93
Sanitation	58,376.12
Repairs and maintenance	8,183.56
Custodian	4,800.00
Office supplies	13,383.18
Insurance	8,489.73
Telephone	3,473.91
Utilities	5,990.24
Training	1,837.33
Miscellaneous	3,241.84
Dues & subscriptions	2,459.13
Election expenses	555.37
Capital outlay	5,449.89
Uniforms	318.99
Codification	5,383.52
Total administration	<u>370,649.26</u>

Court:

Salaries and fringe benefits	44,754.64
Office supplies	1,166.04
Training	1,100.74
Total expenditures paid	<u>47,021.42</u>

Total general government

417,670.68

Public safety:

Police:

Salaries and fringe benefits	336,947.74
911 service	7,866.16
Professional services	2,048.75
Repairs and maintenance	8,815.44
Custodian	3,600.00
Animal control	1,080.61
Fuel	27,188.23
Supplies	1,685.14
Insurance	19,042.72
Training	4,319.40
Utilities	3,104.80
Telephone	4,222.86
Uniforms	3,946.00
Miscellaneous	2,124.85
Capital outlay	22,659.98
Total police	<u>448,652.68</u>

Civil Defense:

Salaries and fringe benefits	645.84
Total civil defense	<u>645.84</u>

Total public safety

449,298.52

(Continued)

CITY OF HILLSBORO, MISSOURI
GENERAL FUND
STATEMENT OF EXPENDITURES PAID
YEAR ENDING JUNE 30, 2006

Street:	
Salaries and fringe benefits	53,872.68
Professional services	13,704.70
Street improvements	51,839.02
Repairs and maintenance	19,935.70
Fuel	5,806.37
Signs	1,851.95
Utilities	15,090.60
Insurance	9,374.55
Uniforms	2,023.38
Miscellaneous	4,112.50
Telephone	2,273.92
Capital outlay	10,600.00
Total street	<u>190,485.37</u>
 Total expenditures paid	 <u><u>\$1,057,454.57</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, 2006

	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues received:						
Taxes	\$729,518.00	\$729,518.00	\$634,865.94	\$0.00	\$634,865.94	(\$94,652.06)
Licenses and permits	33,200.00	33,200.00	34,391.94	0.00	34,391.94	1,191.94
Intergovernmental	179,156.00	179,156.00	195,366.93	0.00	195,366.93	16,210.93
Fines and costs	78,000.00	78,000.00	113,584.85	0.00	113,584.85	35,584.85
Charges for services	52,137.00	52,137.00	62,895.40	0.00	62,895.40	10,758.40
Interest income	1,500.00	1,500.00	2,438.77	0.00	2,438.77	938.77
Miscellaneous	3,300.00	3,300.00	57,971.94	0.00	57,971.94	54,671.94
Total revenues received	<u>1,076,811.00</u>	<u>1,076,811.00</u>	<u>1,101,515.77</u>	<u>0.00</u>	<u>1,101,515.77</u>	<u>24,704.77</u>
Expenditures paid:						
Administration	336,768.00	336,768.00	370,649.26	0.00	370,649.26	(33,881.26)
Court	50,381.00	50,381.00	47,021.42	0.00	47,021.42	3,359.58
Police	441,112.00	441,112.00	448,652.68	0.00	448,652.68	(7,540.68)
Civil defense	1,067.00	1,067.00	645.84	0.00	645.84	421.16
Street	171,423.00	140,108.00	190,485.37	0.00	190,485.37	(50,377.37)
Total expenditures	<u>1,000,751.00</u>	<u>969,436.00</u>	<u>1,057,454.57</u>	<u>0.00</u>	<u>1,057,454.57</u>	<u>(88,018.57)</u>
Excess (deficiency) of revenues received over expenditures paid	<u>\$76,060.00</u>	<u>\$107,375.00</u>	<u>\$44,061.20</u>	<u>\$0.00</u>	<u>\$44,061.20</u>	<u>(\$63,313.80)</u>

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

CITY OF HILLSBORO, MISSOURI
 SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
 ARISING FROM CASH TRANSACTIONS
 JUNE 30, 2006

	Jefferson County Road Improvement Program	Park Fund	Total
<u>ASSETS</u>			
Cash and investments	\$119,010.86	\$29,500.20	\$148,511.06
Total assets	<u>\$119,010.86</u>	<u>\$29,500.20</u>	<u>\$148,511.06</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Fund balance - Reserved	\$119,010.86	\$29,500.20	\$148,511.06
Total liabilities and fund balance	<u>\$119,010.86</u>	<u>\$29,500.20</u>	<u>\$148,511.06</u>

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

CITY OF HILLSBORO, MISSOURI
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCE
YEAR ENDING JUNE 30, 2006

	Jefferson County Road Improvement Program	Park Fund	Total
Revenues received:			
Taxes: Sales tax	\$90,116.08	\$0.00	\$90,116.08
General revenue tax	0.00	18,114.68	18,114.68
Charges for services	0.00	1,995.00	1,995.00
Interest income	5,912.10	156.34	6,068.44
Total revenues received	<u>96,028.18</u>	<u>20,266.02</u>	<u>116,294.20</u>
Expenditures paid:			
Street:			
Capital Improvements	282,099.87	0.00	282,099.87
Parks and recreation:			
Capital Improvements	0.00	12,594.31	12,594.31
Salaries	0.00	871.49	871.49
Professional services	0.00	768.75	768.75
Miscellaneous	0.00	615.00	615.00
Total expenditures paid	<u>282,099.87</u>	<u>14,849.55</u>	<u>296,949.42</u>
Excess (deficiency) of revenues received over expenditures paid	(186,071.69)	5,416.47	(180,655.22)
Fund balance, beginning of year	<u>305,082.55</u>	<u>24,083.73</u>	<u>329,166.28</u>
Fund balance, end of year	<u>\$119,010.86</u>	<u>\$29,500.20</u>	<u>\$148,511.06</u>

CITY OF HILLSBORO, MISSOURI
 SPECIAL REVENUE FUNDS
 COMBINED STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID
 BUDGET AND ACTUAL
 YEAR ENDING JUNE 30, 2006

	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues received:						
Taxes	\$292,200.00	\$292,200.00	\$108,230.76	\$0.00	\$108,230.76	(\$183,969.24)
Charges for services	0.00	0.00	1,995.00	0.00	1,995.00	1,995.00
Intergovernmental	52,780.00	52,780.00	0.00	0.00	0.00	(52,780.00)
Interest income	110.00	110.00	6,068.44	0.00	6,068.44	5,958.44
Miscellaneous	13,900.00	13,900.00	0.00	0.00	0.00	(13,900.00)
Total revenues received	<u>358,990.00</u>	<u>358,990.00</u>	<u>116,294.20</u>	<u>0.00</u>	<u>116,294.20</u>	<u>(242,695.80)</u>
Expenditures paid:						
Street	357,100.00	357,100.00	282,099.87	0.00	282,099.87	75,000.13
Parks and recreation	90,971.00	90,971.00	14,849.55	0.00	14,849.55	76,121.45
Total expenditures paid	<u>448,071.00</u>	<u>448,071.00</u>	<u>296,949.42</u>	<u>0.00</u>	<u>296,949.42</u>	<u>151,121.58</u>
Excess (deficiency) of revenues received over expenditures paid	<u>(\$89,081.00)</u>	<u>(\$89,081.00)</u>	<u>(\$180,655.22)</u>	<u>\$0.00</u>	<u>(\$180,655.22)</u>	<u>(\$91,574.22)</u>

CITY OF HILLSBORO, MISSOURI
 DEBT SERVICE FUNDS
 COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
 ARISING FROM CASH TRANSACTIONS
 JUNE 30, 2006

	North Highway 21 Redevelopment TIF Fund
<u>ASSETS</u>	
Cash and investments	\$141,041.17
Due from other funds	<u>24,898.68</u>
Total assets	<u><u>\$165,939.85</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Fund balance - Reserved	<u>\$165,939.85</u>
Total liabilities and fund balance	<u><u>\$165,939.85</u></u>

CITY OF HILLSBORO, MISSOURI
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2006

	North Highway 21 Redevelopment TIF Fund
Revenues received:	
Taxes: Sales tax	\$24,784.68
Intergovernmental	51,190.16
Interest income	565.13
Total revenues	76,539.97
Expenditures paid:	
Debt service: 1998 Lease Certificates	35,267.34
Total expenditures paid	35,267.34
Excess (deficiency) of revenues received over expenditures paid	41,272.63
Fund balance, beginning of year	124,667.22
Fund balance, end of year	\$165,939.85

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, 2006

	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues received:						
Taxes	\$0.00	\$0.00	\$24,784.68	\$0.00	\$24,784.68	
Intergovernmental	0.00	0.00	51,190.16	0.00	51,190.16	
Interest income	0.00	0.00	565.13	0.00	565.13	
Total revenues received	0.00	0.00	76,539.97	0.00	76,539.97	76,539.97
Expenditures paid:						
Debt service	0.00	0.00	35,267.34	0.00	35,267.34	(35,267.34)
Total expenditures paid	0.00	0.00	35,267.34	0.00	35,267.34	(35,267.34)
Excess (deficiency) of revenues received over expenditures paid	\$0.00	\$0.00	\$41,272.63	\$0.00	\$41,272.63	\$41,272.63

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

CITY OF HILLSBORO, MISSOURI
 WATER AND SEWER ENTERPRISE FUND
 STATEMENT OF ASSETS, LIABILITIES, AND FUND EQUITY
 ARISING FROM CASH TRANSACTIONS
 JUNE 30, 2006

ASSETS	
Current assets:	
Cash and investments	\$316,484.27
Due from other funds	12,430.70
Total current assets	328,914.97
Restricted assets, cash , and investments:	
System replacement accounts	77,722.10
Lease debt service account	100.33
Total restricted assets	77,822.43
Property, plant, and equipment:	
Water and sewer system	4,868,737.51
Equipment	73,970.01
Construction in progress	6,788.40
Less: Accumulated depreciation	(1,339,460.32)
Total property, plant, and equipment	3,610,035.60
Total assets	\$4,016,773.00
LIABILITIES AND NET ASSETS	
Liabilities:	
Lease certificates payable	\$405,000.00
Total liabilities	405,000.00
Net assets:	
Invested in capital assets, net of related debt	3,205,035.60
Reserved-construction and replacement	77,722.10
Reserved-debt service	100.33
Unreserved	328,914.97
Total net assets	3,611,773.00
Total liabilities and net assets	\$4,016,773.00

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

CITY OF HILLSBORO, MISSOURI
 WATER AND SEWER ENTERPRISE FUND
 STATEMENT OF REVENUES RECEIVED, EXPENSES PAID,
 AND CHANGES IN NET ASSETS
 YEAR ENDING JUNE 30, 2006

Operating revenues received:	
Water and sewer revenues	\$619,049.54
Connection and other fees	<u>54,108.06</u>
Total operating revenues received	<u>673,157.60</u>
Operating expenses paid:	
Salaries and fringe benefits	61,847.74
Professional services	77,400.41
Contractual services	104,353.00
System repairs and maintenance	103,504.65
Utilities	63,817.69
Supplies and other expenses	12,567.10
Depreciation	198,741.42
Insurance	14,798.00
Sales tax	<u>6,960.08</u>
Total operating expenses paid	<u>643,990.09</u>
Operating income	<u>29,167.51</u>
Nonoperating revenue (expense):	
Interest income	2,377.47
Interest expense	(22,182.50)
Miscellaneous	<u>27,415.81</u>
Total nonoperating revenue	<u>7,610.78</u>
Net income	36,778.29
Net assets, beginning of year	<u>3,574,994.71</u>
Net assets, end of year	<u><u>\$3,611,773.00</u></u>

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