



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## City of Hillsboro

Hillsboro, North Dakota

Audit Report for the Years Ended December 31, 2019 and 2018

Client Code: PS49100



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Office of the  
State Auditor

# CITY OF HILLSBORO

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For the Years Ended December 31, 2019 and 2018

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**CITY OF HILLSBORO**

City Officials and Audit Personnel  
December 31, 2019 and 2018

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**CITY OFFICIALS**

At December 31, 2019

Terry Sando	President
Levi Reese	Vice-President
Lorraine Tibert	Board Member
Mike Kress	Board Member
Dave Sather	Board Member
Matt Mutzenberger	Auditor
Julie Bjorklund	Deputy Auditor
John Juelson	Attorney

At December 31, 2018

Terry Sando	President
Levi Reese	Vice-President
Lorraine Tibert	Board Member
Mike Kress	Board Member
Dave Sather	Board Member
Matt Mutzenberger	Auditor
Julie Bjorklund	Deputy Auditor
John Juelson	Attorney

**AUDITOR PERSONNEL**

Heath Erickson, CPA	Audit Manager
Brian Hermanson	Audit In-Charge

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

FAX  
701-328-2345

[www.nd.gov/auditor](http://www.nd.gov/auditor)

STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota, 58505

[ndsao@nd.gov](mailto:ndsao@nd.gov)

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## INDEPENDENT AUDITOR'S REPORT

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Board of Hillsboro Commissioners  
City of Hillsboro  
Hillsboro, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hillsboro, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City of Hillsboro's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1 to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Summary of Opinions**

Governmental Activities	Adverse
Business-Type Activities	Adverse
Major Governmental Funds	Unmodified on modified cash basis
Major Business-Type Funds	Adverse
Aggregate Remaining Fund Information	Unmodified on modified cash basis

**Basis for Adverse Opinions Governmental Activities, Business-Type Activities, and Major Business-Type Funds**

Management has not recorded capital assets in the governmental activities, the business-type activities, and the major business-type funds and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated, which would increase the assets, net position and expenses of the governmental activities, the business-type activities, and the major business-type funds. The amount by which this departure would affect the assets, net position and expenses of the governmental activities, the business-type activities and the business-type funds is not reasonably determinable.

**Adverse Opinions**

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, the business-type activities and the major business-type funds of the City of Hillsboro, North Dakota, as of December 31, 2019 and December 31, 2018, and the changes in financial position thereof for the year then ended.

**Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position modified cash basis of each major governmental fund, and the aggregate remaining fund information of the governmental funds of the City of Hillsboro, North Dakota, as of December 31, 2019 and December 31, 2018 and the respective changes in financial position modified cash basis thereof, for the year then ended in conformity with the basis of accounting described in Note 1.

**Emphasis of a Matter**

As discussed in Note 2 to the financial statements, the 2018 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

**Basis of Accounting**

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

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hillsboro's basic financial statements. The *budgetary comparison schedule* is presented for purposes of additional analysis and are not a required part of the financial statements.

**CITY OF HILLSBORO**

Independent Auditor's Report – Continued

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The *budgetary comparison schedule* is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described above in the *Basis for Adverse Opinions on Governmental Activities, Business-Type Activities, and Major Funds* paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2021 on our consideration of the City of Hillsboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hillsboro's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hillsboro's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
June 25, 2021

**CITY OF HILLSBORO**

-Statement of Net Position – Modified Cash Basis  
December 31, 2019

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	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 1,698,397	\$ 1,241,665	\$ 2,940,062
Investments	283,496	733,365	1,016,861
Total Assets	<u>\$ 1,981,893</u>	<u>\$ 1,975,030</u>	<u>\$ 3,956,923</u>
<b>LIABILITIES</b>			
Long-Term Liabilities:			
Due Within One Year:			
Long-Term Debt	\$ 563,000	\$ 156,000	\$ 719,000
Due After One Year:			
Long-Term Debt	1,670,000	1,728,000	3,398,000
Total Liabilities	<u>\$ 2,233,000</u>	<u>\$ 1,884,000</u>	<u>\$ 4,117,000</u>
<b>NET POSITION</b>			
Restricted for:			
Public Works	\$ 118,510	\$ -	\$ 118,510
Economic/Job Development	204,913	-	204,913
Capital Improvements	327,040	-	327,040
Unrestricted	(901,570)	91,030	(810,540)
Total Net Position	<u>\$ (251,107)</u>	<u>\$ 91,030</u>	<u>\$ (160,077)</u>

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

**CITY OF HILLSBORO**

Statement of Activities – Modified Cash Basis  
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>						
General Government	\$ 356,895	\$ 36,720	\$ -	\$ (320,175)	\$ -	\$ (320,175)
Public Safety	225,620	-	-	(225,620)	-	(225,620)
Public Works/Infrastructure	308,457	5,577	97,621	(205,259)	-	(205,259)
Culture and Recreation	106,655	-	-	(106,655)	-	(106,655)
Economic Development	26,873	-	-	(26,873)	-	(26,873)
Miscellaneous	145,358	-	-	(145,358)	-	(145,358)
Interest & Fees on Long-Term Debt	107,341	-	-	(107,341)	-	(107,341)
<b>Total Governmental Activities</b>	<b>\$ 1,277,199</b>	<b>\$ 42,297</b>	<b>\$ 97,621</b>	<b>\$ (1,137,281)</b>	<b>\$ -</b>	<b>\$ (1,137,281)</b>
<b>Business-Type Activities</b>						
Water Funds	\$ 491,716	\$ 709,308	\$ -	\$ -	\$ 217,592	\$ 217,592
Electric Funds	2,042,252	2,544,336	-	-	502,084	502,084
Sewer Funds	129,560	114,331	-	-	(15,229)	(15,229)
Sanitation	266,042	263,501	-	-	(2,541)	(2,541)
<b>Total Business-Type Activities</b>	<b>\$ 2,929,570</b>	<b>\$ 3,631,476</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 701,906</b>	<b>\$ 701,906</b>
<b>Total Primary Government</b>	<b>\$ 4,206,769</b>	<b>\$ 3,673,773</b>	<b>\$ 97,621</b>	<b>\$ (1,137,281)</b>	<b>\$ 701,906</b>	<b>\$ (435,375)</b>
<b>General Revenues</b>						
Taxes:						
Property taxes levied for general purposes				\$ 220,976	\$ -	\$ 220,976
Property taxes levied for special purposes				346,666	-	346,666
Property taxes levied for debt service				485,218	-	485,218
Sales taxes				178,409	-	178,409
State Aid Distribution				139,441	-	139,441
Interest Income				16,980	8,610	25,590
Miscellaneous Revenue				55,607	30,431	86,038
Transfers				288,589	(288,589)	-
<b>Total General Revenues and Transfers</b>				<b>\$ 1,731,886</b>	<b>\$ (249,548)</b>	<b>\$ 1,482,338</b>
<b>Change in Net Position</b>				<b>\$ 594,605</b>	<b>\$ 452,358</b>	<b>\$ 1,046,963</b>
<b>Net Position - January 1</b>				<b>\$ (845,712)</b>	<b>\$ (361,328)</b>	<b>\$ (1,207,040)</b>
<b>Net Position - December 31</b>				<b>\$ (251,107)</b>	<b>\$ 91,030</b>	<b>\$ (160,077)</b>

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

**CITY OF HILLSBORO**

Balance Sheet – Governmental Funds – Modified Cash Basis  
December 31, 2019

	Major Funds						Total Governmental Funds
	General Fund	Highway Tax Fund	City Sales Tax Fund	Capital Project Funds	Debt Service Funds	Other Governmental Funds	
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ -	\$ 2,627	\$ 38,202	\$ 327,024	\$ 1,214,661	\$ 115,883	\$ 1,698,397
Investments	655	-	157,730	16	125,095	-	283,496
Due from Other Funds	-	-	8,981	-	-	-	8,981
<b>Total Assets</b>	<b>\$ 655</b>	<b>\$ 2,627</b>	<b>\$ 204,913</b>	<b>\$ 327,040</b>	<b>\$ 1,339,756</b>	<b>\$ 115,883</b>	<b>\$ 1,990,874</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Due to Other Funds	\$ 8,981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,981
Fund Balances							
Restricted:							
Debt Service	-	-	-	-	1,339,756	-	1,339,756
Public Works	-	2,627	-	-	-	115,883	118,510
Economic Development	-	-	204,913	-	-	-	204,913
Capital Improvements	-	-	-	327,040	-	-	327,040
Unassigned							
General Fund	(8,326)	-	-	-	-	-	(8,326)
<b>Total Fund Balances</b>	<b>\$ (8,326)</b>	<b>\$ 2,627</b>	<b>\$ 204,913</b>	<b>\$ 327,040</b>	<b>\$ 1,339,756</b>	<b>\$ 115,883</b>	<b>\$ 1,981,893</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 655</b>	<b>\$ 2,627</b>	<b>\$ 204,913</b>	<b>\$ 327,040</b>	<b>\$ 1,339,756</b>	<b>\$ 115,883</b>	<b>\$ 1,990,874</b>

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

**CITY OF HILLSBORO**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis  
December 31, 2019

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**Total Fund Balances for Governmental Funds** \$ 1,981,893

Total *net position* reported for governmental activities in the statement of net position is different because:

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Special Assessment Bonds Payable	\$ (1,810,000)	
Loans Payable	<u>(423,000)</u>	<u>(2,233,000)</u>

**Total Net Position of Governmental Activities** \$ (251,107)

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

# CITY OF HILLSBORO

## Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis For the Year Ended December 31, 2019

	Major Funds							Total Governmental Funds
	General Fund	Highway Tax Fund	City Sales Tax Fund	Capital Project Funds	Debt Service Funds	Other Governmental Funds		
<b>REVENUES</b>								
Property Taxes	\$ 220,976	\$ 3,949	\$ -	\$ -	\$ 324,825	\$ 17,892	\$	\$ 567,642
Sales Taxes	-	-	178,409	-	-	-	-	178,409
Special Assessments	-	-	-	-	485,218	-	-	485,218
Licenses, Permits and Fees	36,447	-	-	-	-	-	-	36,447
Intergovernmental	139,714	97,621	-	-	-	-	-	237,335
Charges for Services	-	-	-	-	-	5,577	-	5,577
Interest Income	14,274	-	1,549	16	1,141	-	-	16,980
Miscellaneous	16,781	150	2,000	-	-	36,676	-	55,607
<b>Total Revenues</b>	<b>\$ 428,192</b>	<b>\$ 101,720</b>	<b>\$ 181,958</b>	<b>\$ 16</b>	<b>\$ 811,184</b>	<b>\$ 60,145</b>	<b>\$</b>	<b>\$ 1,583,215</b>
<b>EXPENDITURES</b>								
Current:								
General Government	\$ 342,407	\$ -	\$ -	\$ -	\$ -	\$ 14,488	\$	\$ 356,895
Public Safety	225,620	-	-	-	-	-	-	225,620
Public Works	-	249,674	-	-	-	49,784	-	299,458
Culture and Recreation	106,655	-	-	-	-	-	-	106,655
Economic Development	-	-	14,250	-	-	12,623	-	26,873
Other	45,358	-	-	-	-	-	-	45,358
Miscellaneous	-	-	100,000	-	-	-	-	100,000
Capital Outlay	-	-	-	8,999	-	-	-	8,999
Dept Service:								
Principal	-	-	-	-	646,000	-	-	646,000
Interest	-	-	-	-	54,625	-	-	54,625
Fees	-	-	-	-	52,716	-	-	52,716
<b>Total Expenditures</b>	<b>\$ 720,040</b>	<b>\$ 249,674</b>	<b>\$ 114,250</b>	<b>\$ 8,999</b>	<b>\$ 753,341</b>	<b>\$ 76,895</b>	<b>\$</b>	<b>\$ 1,923,199</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (291,848)	\$ (147,954)	\$ 67,708	\$ (8,983)	\$ 57,843	\$ (16,750)	\$	\$ (339,984)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	\$ 236,100	\$ 120,000	\$ -	\$ 95,570	\$ 160,000	\$ 53,700	\$	\$ 665,370
Transfers Out	(5,411)	-	(371,370)	-	-	-	-	(376,781)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 230,689</b>	<b>\$ 120,000</b>	<b>\$ (371,370)</b>	<b>\$ 95,570</b>	<b>\$ 160,000</b>	<b>\$ 53,700</b>	<b>\$</b>	<b>\$ 288,589</b>
<b>Net Change in Fund Balances</b>	<b>\$ (61,159)</b>	<b>\$ (27,954)</b>	<b>\$ (303,662)</b>	<b>\$ 86,587</b>	<b>\$ 217,843</b>	<b>\$ 36,950</b>	<b>\$</b>	<b>\$ (51,395)</b>
Fund Balances - January 1	\$ 52,833	\$ 30,581	\$ 508,575	\$ 240,453	\$ 1,121,913	\$ 78,933	\$	\$ 2,033,288
Fund Balance - December 31	\$ (8,326)	\$ 2,627	\$ 204,913	\$ 327,040	\$ 1,339,756	\$ 115,883	\$	\$ 1,981,893

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

**CITY OF HILLSBORO**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
to the Statement of Activities – Modified Cash Basis  
For the Year Ended December 31, 2019

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**Net Change in *Fund Balances* - Total Governmental Funds** \$ (51,395)

The change in net position reported for governmental activities in the statement of activities is different because:

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of Special Assessment Bonds	\$ 535,000	
Repayment of State Revolving Fund Loans	<u>111,000</u>	<u>646,000</u>

**Change in Net Position of Governmental Activities** \$ 594,605

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

**CITY OF HILLSBORO**Statement of Net Position – Proprietary Funds – Modified Cash Basis  
December 31, 2019

	Business-Type Activities - Enterprise Funds				
	Water Funds	Electric Funds	Sewer Funds	Sanitation Fund	Total Enterprise Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 446,102	\$ 627,987	\$ 100,010	\$ 67,566	\$ 1,241,665
Investments	248,556	473,250	11,559	-	733,365
Total Assets	\$ 694,658	\$ 1,101,237	\$ 111,569	\$ 67,566	\$ 1,975,030
<b>LIABILITIES</b>					
Current Liabilities:					
Long-Term Debt	\$ 156,000	\$ -	\$ -	\$ -	\$ 156,000
Noncurrent Liabilities:					
Long-Term Debt	\$ 1,728,000	\$ -	\$ -	\$ -	\$ 1,728,000
Total Liabilities	\$ 1,884,000	\$ -	\$ -	\$ -	\$ 1,884,000
<b>NET POSITION</b>					
Unrestricted	\$ (1,189,342)	\$ 1,101,237	\$ 111,569	\$ 67,566	\$ 91,030
Total Net Position	\$ (1,189,342)	\$ 1,101,237	\$ 111,569	\$ 67,566	\$ 91,030

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

# CITY OF HILLSBORO

## Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Modified Cash Basis For the Year Ended December 31, 2019

	Business-Type Activities - Enterprise Funds				
	Water Fund	Electric Funds	Sewer Fund	Sanitation Fund	Total Enterprise Funds
<b>OPERATING REVENUES</b>					
Charges for Sales and Services	\$ 709,308	\$ 2,544,336	\$ 114,331	\$ 263,501	\$ 3,631,476
<b>OPERATING EXPENSES</b>					
Salaries and Benefits	\$ 129,655	\$ 118,024	\$ 30,466	\$ -	\$ 278,145
Professional Services (Legal, Engineering, etc)	20,032	-	-	229,728	249,760
Maintenance & Supplies	264,042	70,681	89,668	7,018	431,409
Recycling Costs	-	-	-	26,028	26,028
Purchased Power Costs	-	1,831,524	-	-	1,831,524
Machinery and Equipment	7,764	5,973	5,460	2,948	22,145
Miscellaneous	15,331	16,050	3,908	320	35,609
Total Operating Expenses	\$ 436,824	\$ 2,042,252	\$ 129,502	\$ 266,042	\$ 2,874,620
Operating Income (Loss)	\$ 272,484	\$ 502,084	\$ (15,171)	\$ (2,541)	\$ 756,856
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest on Investments	\$ 2,546	\$ 5,790	\$ 274	\$ -	\$ 8,610
Miscellaneous Receipts	22,309	2,568	4,000	1,554	30,431
Rent Payment	(12,167)	-	-	-	(12,167)
Retirement of Debt - Interest	(32,525)	-	-	-	(32,525)
Retirement of Debt - Fees	(10,200)	-	(58)	-	(10,258)
Total Nonoperating Revenues (Expenses)	\$ (30,037)	\$ 8,358	\$ 4,216	\$ 1,554	\$ (15,909)
Income Before Transfers	\$ 242,447	\$ 510,442	\$ (10,955)	\$ (987)	\$ 740,947
Transfers In	\$ 35,000	\$ 25,411	\$ 36,000	\$ -	\$ 96,411
Transfers Out	-	(385,000)	-	-	(385,000)
Total Transfers	\$ 35,000	\$ (359,589)	\$ 36,000	\$ -	\$ (288,589)
Change in Net Position	\$ 277,447	\$ 150,853	\$ 25,045	\$ (987)	\$ 452,358
Total Net Position - January 1	\$ (1,466,789)	\$ 950,384	\$ 86,524	\$ 68,553	\$ (361,328)
Total Net Position - December 31	\$ (1,189,342)	\$ 1,101,237	\$ 111,569	\$ 67,566	\$ 91,030

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

# CITY OF HILLSBORO

## Statement of Cash Flows – Proprietary Funds – Modified Cash Basis For the Year Ended December 31, 2019

	Water Funds	Electric Funds	Sewer Funds	Sanitation Fund	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users	\$ 709,308	\$ 2,544,336	\$ 114,331	\$ 263,501	\$ 3,631,476
Payments to Suppliers	(307,169)	(1,924,228)	(99,036)	(266,042)	(2,596,475)
Payments to Employees	(129,655)	(118,024)	(30,466)	-	(278,145)
Net Cash Provided (Used) by Operating Activities	\$ 272,484	\$ 502,084	\$ (15,171)	\$ (2,541)	\$ 756,856
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Miscellaneous Revenue (Expense)	\$ 22,309	\$ 2,568	\$ 4,000	\$ 1,554	\$ 30,431
Rent Payment	(12,168)	-	-	-	(12,168)
Transfers from Other Funds	35,000	25,411	36,000	-	96,411
Transfers to Other Funds	-	(385,000)	-	-	(385,000)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 45,141	\$ (357,021)	\$ 40,000	\$ 1,554	\$ (270,326)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal Paid on Capital Debt	\$ (156,000)	\$ -	\$ -	\$ -	\$ (156,000)
Interest & Fees Paid on Capital Debt	(42,725)	-	(58)	-	(42,783)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (198,725)	\$ -	\$ (58)	\$ -	\$ (198,783)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases, Sales & Maturities of Investments	\$ (2,546)	\$ (5,790)	\$ (274)	\$ -	\$ (8,610)
Interest Income	2,546	5,790	274	-	8,610
Net Cash Provided (Used) by Investing Activities	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 118,900	\$ 145,063	\$ 24,771	\$ (987)	\$ 287,747
Cash and Cash Equivalents, January 1	\$ 327,202	\$ 482,924	\$ 75,239	\$ 68,553	\$ 953,918
Cash and Cash Equivalents, December 31	\$ 446,102	\$ 627,987	\$ 100,010	\$ 67,566	\$ 1,241,665
Net Cash Provided (Used) by Operating Activities	\$ 272,484	\$ 502,084	\$ (15,171)	\$ (2,541)	\$ 756,856

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

**CITY OF HILLSBORO**Statement of Net Position – Modified Cash Basis  
December 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 1,753,154	\$ 953,918	\$ 2,707,072
Investments	280,134	724,754	1,004,888
Total Assets	<u>\$ 2,033,288</u>	<u>\$ 1,678,672</u>	<u>\$ 3,711,960</u>
<b>LIABILITIES</b>			
Long-Term Liabilities:			
Due Within One Year:			
Long-Term Debt	\$ 646,000	\$ 156,000	\$ 802,000
Due After One Year:			
Long-Term Debt	2,233,000	1,884,000	4,117,000
Total Liabilities	<u>\$ 2,879,000</u>	<u>\$ 2,040,000</u>	<u>\$ 4,919,000</u>
<b>NET POSITION</b>			
Restricted for:			
Public Works	\$ 109,514	\$ -	\$ 109,514
Economic/Job Development	508,575	-	508,575
Capital Improvements	240,453	-	240,453
Unrestricted	(1,704,254)	(361,328)	(2,065,582)
Total Net Position	<u>\$ (845,712)</u>	<u>\$ (361,328)</u>	<u>\$ (1,207,040)</u>

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

**CITY OF HILLSBORO**

Statement of Activities – Modified Cash Basis  
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>						
General Government	\$ 425,087	\$ 41,541	\$ -	\$ (383,546)	\$ -	\$ (383,546)
Public Safety	163,493	-	-	(163,493)	-	(163,493)
Public Works/Infrastructure	349,541	7,530	96,138	(245,873)	-	(245,873)
Culture and Recreation	94,646	-	-	(94,646)	-	(94,646)
Economic Development	64,784	-	-	(64,784)	-	(64,784)
Miscellaneous	39,373	-	-	(39,373)	-	(39,373)
Interest & Fees on Long-Term Debt	76,384	-	-	(76,384)	-	(76,384)
<b>Total Governmental Activities</b>	<b>\$ 1,213,308</b>	<b>\$ 49,071</b>	<b>\$ 96,138</b>	<b>\$ (1,068,099)</b>	<b>\$ -</b>	<b>\$ (1,068,099)</b>
<b>Business-Type Activities</b>						
Water Funds	\$ 476,201	\$ 665,453	\$ -	\$ -	\$ 189,252	\$ 189,252
Electric Funds	2,244,017	2,594,891	-	-	350,874	350,874
Sewer Funds	194,404	109,263	-	-	(85,141)	(85,141)
Sanitation	245,310	240,641	-	-	(4,669)	(4,669)
<b>Total Business-Type Activities</b>	<b>\$ 3,159,932</b>	<b>\$ 3,610,248</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 450,316</b>	<b>\$ 450,316</b>
<b>Total Primary Government</b>	<b>\$ 4,373,240</b>	<b>\$ 3,659,319</b>	<b>\$ 96,138</b>	<b>\$ (1,068,099)</b>	<b>\$ 450,316</b>	<b>\$ (617,783)</b>
<b>General Revenues</b>						
Taxes:						
Property taxes levied for general purposes	\$ 215,024	\$ -	\$ 215,024			
Property taxes levied for special purposes	321,504	-	321,504			
Property taxes levied for debt service	514,115	-	514,115			
Sales taxes	188,487	-	188,487			
State Aid Distribution	123,005	-	123,005			
Interest Income	1,503	470	1,973			
Miscellaneous Revenue	138,919	228,583	367,502			
Transfers	190,310	(190,310)	-			
<b>Total General Revenues and Transfers</b>	<b>\$ 1,692,867</b>	<b>\$ 38,743</b>	<b>\$ 1,731,610</b>			
<b>Change in Net Position</b>	<b>\$ 624,768</b>	<b>\$ 489,059</b>	<b>\$ 1,113,827</b>			
<b>Net Position - January 1</b>	<b>\$ (1,470,480)</b>	<b>\$ (1,199,125)</b>	<b>\$ (2,669,605)</b>			
<b>Prior Period Adjustment</b>	<b>\$ -</b>	<b>\$ 348,738</b>	<b>\$ 348,738</b>			
<b>Net Position - January 1, as restated</b>	<b>\$ (1,470,480)</b>	<b>\$ (850,387)</b>	<b>\$ (2,320,867)</b>			
<b>Net Position - December 31</b>	<b>\$ (845,712)</b>	<b>\$ (361,328)</b>	<b>\$ (1,207,040)</b>			

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

**CITY OF HILLSBORO**

Balance Sheet – Governmental Funds – Modified Cash Basis  
December 31, 2018

	Major Funds						Total Governmental Funds
	General Fund	Highway Tax Fund	City Sales Tax Fund	Capital Project Funds	Debt Service Funds	Other Governmental Funds	
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 52,833	\$ 30,581	\$ 352,394	\$ 240,453	\$ 997,960	\$ 78,933	\$ 1,753,154
Investments	-	-	156,181	-	123,953	-	280,134
<b>Total Assets</b>	<b>\$ 52,833</b>	<b>\$ 30,581</b>	<b>\$ 508,575</b>	<b>\$ 240,453</b>	<b>\$ 1,121,913</b>	<b>\$ 78,933</b>	<b>\$ 2,033,288</b>
<b>FUND BALANCES</b>							
Restricted:							
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 1,121,913	\$ -	\$ 1,121,913
Public Works	-	30,581	-	-	-	78,933	109,514
Economic Development	-	-	508,575	-	-	-	508,575
Capital Improvements	-	-	-	240,453	-	-	240,453
Unassigned							
General Fund	52,833	-	-	-	-	-	52,833
<b>Total Fund Balances</b>	<b>\$ 52,833</b>	<b>\$ 30,581</b>	<b>\$ 508,575</b>	<b>\$ 240,453</b>	<b>\$ 1,121,913</b>	<b>\$ 78,933</b>	<b>\$ 2,033,288</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 52,833</b>	<b>\$ 30,581</b>	<b>\$ 508,575</b>	<b>\$ 240,453</b>	<b>\$ 1,121,913</b>	<b>\$ 78,933</b>	<b>\$ 2,033,288</b>

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

**CITY OF HILLSBORO**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis  
December 31, 2018

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**Total Fund Balances for Governmental Funds** \$ 2,033,288

Total *net position* reported for governmental activities in the statement of net position is different because:

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Special Assessment Bonds Payable	\$ (2,345,000)	
Loans Payable	<u>(534,000)</u>	<u>(2,879,000)</u>
<b>Total Net Position of Governmental Activities</b>		<b><u>\$ (845,712)</u></b>

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