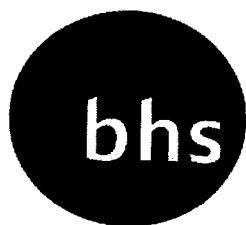


City of Hillsboro

Highland County, Ohio

Basic Financial Statements

For the Year Ended December 31, 2013



Balestra, Harr & Scherer Consulting

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639



City of Hillsboro
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For the Year Ended December 31, 2013

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Balestra, Harr & Scherer Consulting

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: (740) 289-4131 Fax: (740) 289-3639

Accountant's Compilation Report

June 10, 2014

City Council
City of Hillsboro
130 North High Street
Hillsboro, Ohio 45133

We have compiled 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, Highland County, Ohio, as of and for the year ended December 31, 2013. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America require. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer Consulting
Piketon, Ohio

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City of Hillsboro
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The discussion and analysis of the City of Hillsboro's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position increased \$2,970,216. Net position of governmental activities increased \$499,211. Net position of business-type activities increased \$2,471,105.
- Governmental activities general revenues accounted for \$4,269,938 in revenue or 73 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,539,878 or 27 percent of total revenues of \$5,809,816. Business-type activities general revenues accounted for \$37,251 in revenue or 1 percent of all revenues. Program specific revenues accounted for \$5,729,097 or 99 percent of total revenues of \$5,766,348.
- The City had \$5,310,705 in expenses related to governmental activities; \$1,539,878 of these expenses was offset by program specific charges for services and sales, grants and contributions. The City had \$3,295,243 in expenses related to business-type activities; all of these expenses were offset by program specific charges for services, grants and contributions.

Using the Annual Financial Report

This annual report consists of a series of financial statements and notes to the financial statements. These statements are organized so the reader can understand the City of Hillsboro as a financial whole or as an entire operating entity. The statements then proceed to provide a detailed look at specific financial conditions.

The statement of net position and statement of activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what monies remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in a single column.

Reporting the City as a Whole

Statement of Net Position and Statement of Activities

While this report contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting basis used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the change in net position. The change in net position is important because it identifies whether the financial position of the City has improved or diminished for the City as a whole. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

City of Hillsboro
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

In the statement of net position and the statement of activities, the City is divided into two types of activities:

- **Governmental Activities** - Most of the City's services are reported as governmental activities including police, fire, administration, and all departments with the exception of business-type activities (sanitation, wastewater treatment, storm water utility and water services).
- **Business-Type Activities** - These services have a charge based upon usage. The City charges fees to recoup the cost of the entire operation of the Water Plant and Wastewater Treatment Plant as well as all capital expenses associated with these facilities. The City also charges fees to recoup the cost of disposal of solid waste, leaf and brush removal and also a fee to provide for improvements to the City's storm water removal system. These fees are accounted for in the Sewer Fund.

Reporting the City's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents; however, fund financial statements focus on the City's most significant funds. The City of Hillsboro's major funds are the General Fund and the Water and Sewer Enterprise Funds.

Governmental Funds - Most of the City's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the year-end balances available for spending in the future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services provided. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future on services provided to residents. The relationships between governmental activities reported in the statement of net position and the statement of activities and the governmental fund statements are reconciled in the financial statements.

Enterprise Funds - When the City charges customers for the services it provides, these services are generally reported in enterprise funds. Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

City of Hillsboro
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The City as a Whole

The statement of net position reviews the City as a whole. Table 1 provides a summary of the City's net position for 2013 compared to the prior year:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$ 4,529,116	\$ 3,774,090	\$ 4,188,443	\$ 3,702,609	\$ 8,717,559	\$ 7,476,699
Capital Assets, Net	12,155,017	12,709,194	30,600,714	30,999,822	42,755,731	43,709,016
Total Assets	16,684,133	16,483,284	34,789,157	34,702,431	51,473,290	51,185,715
Liabilities						
Current and Other Liabilities	263,401	381,560	169,522	380,120	432,923	761,680
Long-Term Liabilities	3,116,976	3,297,629	13,945,488	16,119,269	17,062,464	19,416,898
Total Liabilities	3,380,377	3,679,189	14,115,010	16,499,389	17,495,387	20,178,578
Deferred Inflows of Resources						
Property Taxes not Levied to Finance Current Year Operations	287,397	286,847	-	-	287,397	286,847
Net Position						
Net Investment in Capital Assets	9,290,661	9,714,969	16,702,603	14,940,774	25,993,264	24,655,743
Restricted	1,902,477	1,414,378	-	-	1,902,477	1,414,378
Unrestricted	1,823,221	1,387,901	3,971,544	3,262,268	5,794,765	4,650,169
Total Net Position	\$ 13,016,359	\$ 12,517,248	\$ 20,674,147	\$ 18,203,042	\$ 33,690,506	\$ 30,720,290

Total governmental activities assets increased \$200,849 primarily due to increases in Cash and Cash Equivalents and Intergovernmental receivables which were partially offset by Capital Assets current year depreciation and deletions exceeding current year additions. Business-type activities assets increased \$86,726, primarily due to increases in Capital Assets as a result of investment in radio read meters which were partially offset by a decrease in restricted cash as of December 31, 2013.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 83% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress and infrastructure. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. Net investment in capital assets for the City as a whole increased primarily due to reduction of debt balances, which is partially offset by depreciation expense.

Total liabilities for governmental activities decreased \$298,812 as a result of debt payments. Total liabilities of business-type activities decreased \$2,384,379 due mainly to principal forgiveness from the American Reinvestment and Recovery Act which were partially offset by current year debt additions.

City of Hillsboro
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Table 2 shows the changes in net position for the year 2013 compared to the prior year.

Table 2
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Program Revenues:						
Charges for Services and Sales	\$ 597,075	\$ 945,339	\$ 3,746,958	\$ 3,673,305	\$ 4,344,033	\$ 4,618,644
Operating Grants and Contributions	942,803	515,262	-	-	942,803	515,262
Capital Grants and Contributions	-	-	1,982,139	-	1,982,139	-
Total Program Revenues	1,539,878	1,460,601	5,729,097	3,673,305	7,268,975	5,133,906
General Revenues:						
Property & Income Taxes	3,880,392	3,748,155	-	-	3,880,392	3,748,155
Unrestricted Investment Earnings	13,845	13,922	950	1,135	14,795	15,057
Grants and Contributions Not Restricted to Specific Programs	248,550	395,443	-	-	248,550	395,443
Gain on Sale of Capital Assets	5,258	-	-	-	5,258	-
Other	121,893	168,359	36,301	48,262	158,194	216,621
Total General Revenues	4,269,938	4,325,879	37,251	49,397	4,307,189	4,375,276
Total Revenues	5,809,816	5,786,480	5,766,348	3,722,702	11,576,164	9,509,182
Program Expenses						
General Government -						
Legislative and Executive	1,058,489	1,009,462	-	-	1,058,489	1,009,462
Judicial	378,027	414,390	-	-	378,027	414,390
Security of Persons and Property	2,643,380	3,274,641	-	-	2,643,380	3,274,641
Public Health	19,750	12,553	-	-	19,750	12,553
Leisure Time Activities	61,330	111,391	-	-	61,330	111,391
Community Environment	292,581	329,314	-	-	292,581	329,314
Transportation	718,374	700,253	-	-	718,374	700,253
Interest and Fiscal Charges	138,774	142,221	-	-	138,774	142,221
Water Fund	-	-	1,524,314	1,532,408	1,524,314	1,532,408
Sewer Fund	-	-	1,770,929	2,431,919	1,770,929	2,431,919
Total Expenses	5,310,705	5,994,225	3,295,243	3,964,327	8,605,948	9,958,552
Increase (Decrease) in Net Position	499,111	(207,745)	2,471,105	(241,625)	2,970,216	(449,370)
Beginning Net Position	12,517,248	12,724,993	18,203,042	18,444,667	30,720,290	31,169,660
Ending Net Position	\$ 13,016,359	\$ 12,517,248	\$ 20,674,147	\$ 18,203,042	\$ 33,690,506	\$ 30,720,290

Governmental Activities

Governmental activities net position increased \$499,111 or 4% during 2013, due to revenues exceeding expenses. Charges for Services and Sales decreased primarily due to a decrease in Ambulance Services revenues. Grants and Contributions not Restricted to Specific Programs decreased primarily due to the elimination of estate taxes. Operating Grants and Contributions increased due to increased receivables recorded for the Rehab program. Property and Income Taxes increased primarily due to an increase in income tax revenues. Security of Persons decreased due to efforts by the City's administration to reduce expenditures.

General revenues primarily consist of property and income tax revenue of \$3,880,392, or 91% of total general revenues in 2013.

General government expenses include legislative and executive and judicial programs, totaled \$1,436,516 or 27% of total governmental expenses. Security of persons and property is one of the major activities of the City, generating 50% of total expenses.

City of Hillsboro
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Business-Type Activities

The City's business-type activities are its water and sewer departments. The water and wastewater treatment plants provide services to the City's residents. The water plant generated operating revenues of \$1,574,808 and had operating expenses of \$1,282,556 and had interest expense of \$240,845. The wastewater treatment plant generated operating revenues of \$2,172,150 and had operating expenses of \$1,710,474, and interest expense of \$59,542. Operating revenues remained consistent between the two years for both the water and sewer funds. Operating expenditures remained consistent between the two years for the water fund. The operating expenditures decreased for the sewer fund primarily due to a decrease in contractual services expense. The City's goal is to cover the costs of operations as well as to build the cash balance in these funds. The City is also generating funds for additional capital expansion to ensure continued capacity and capacity improvements for future growth and development.

The City's Funds

Information about the City's major funds starts on page 12. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$5,881,914 and expenditures and other financing uses of \$5,420,642. The net change in fund balance for the year was most significant in the General Fund, an increase of \$385,286. The majority of the increase in fund balance is due to revenues exceeding expenditures for the current year which was partially offset by transfers out.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2013, the City amended its General Fund budget. With the General Fund supporting many of the major activities such as the City's police and fire departments, as well as most general government activities, the General Fund is monitored closely to prevent possible revenue shortfalls or overspending by individual departments.

For the General Fund, original budgeted revenues and other financing sources were \$4,110,861, while final budgeted revenues and other financing sources were \$4,359,725. The City's actual revenues and other financing sources were \$32,578 more than the final budgeted revenues and other financing sources due primarily to additional tax revenues received. Original budgeted expenditures and other financing uses were \$4,055,811, while final budget amounts were \$4,396,575. The decrease is primarily due to a decrease in security of persons and property expenditures.

The General Fund's actual expenditures were \$206,052 less than final budgeted expenditures mainly due to conservative budgeting by the City.

City of Hillsboro
 Management's Discussion and Analysis
 For the Year Ended December 31, 2013
 (Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of the 2013 the City had \$42,755,731 invested in land, land improvements, construction in progress, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Table 3 shows 2013 and 2012 balances.

Table 3

	Capital Assets (Net of Accumulated Depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 561.543	\$ 561.650	\$ 10.460	\$ 10.460	\$ 572.003	\$ 572.110
Land Improvements	773.275	811.047	131.077	72.114	904.352	883.161
Buildings and Improvements	3,417.226	3,504.601	26,930.268	27,372.108	30,347.494	30,876.709
Furniture and Equipment	537.528	624.841	369.758	356.051	907.286	980.892
Vehicles	516.918	594.401	310.547	307.688	827.465	902.089
Infrastructure/Water & Sewer Lines	6,285.782	6,559.925	2,644.396	2,881.401	8,930.178	9,441.326
Construction in Progress	62.745	52.729	204.208	-	266.953	52.729
Totals	\$ 12,155.017	\$ 12,709.194	\$ 30,600.714	\$ 30,999,822	\$ 42,755,731	\$ 43,709,016

See Note 13 for additional information on the City's capital assets.

Debt

At December 31, 2013, the City of Hillsboro had \$16,739,883 in bonds, loans, and leases outstanding. \$500,422 was due within one year.

Table 4
 Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
O.W.D.A. Loan	\$ -	\$ -	\$ 8,250,113	\$ 10,437,828	\$ 8,250,113	\$ 10,437,828
Capital Lease	49,356	34,225	203,414	49,220	252,770	83,445
OPWC Loan	-	-	125,000	140,000	125,000	140,000
Mortgage Revenue Bonds	-	-	5,297,000	5,432,000	5,297,000	5,432,000
General Obligation Bonds	2,815,000	2,960,000	-	-	2,815,000	2,960,000
Total	\$ 2,864,356	\$ 2,994,225	\$ 13,875,527	\$ 16,059,048	\$ 16,739,883	\$ 19,053,273

The City's overall legal debt margin was \$8,972,442 at December 31, 2013.

See Note 14 for additional information about the City's debt.

City of Hillsboro
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The Future

The City of Hillsboro continues to work diligently to increase revenues and decrease costs to put the City on more stable footing. The City has continued to grow with new homes constructed annually, and several new commercial facilities opened with more planned for the future.

The City of Hillsboro has committed itself to financial excellence in the coming years. Our commitment to the residents of the City of Hillsboro will be full disclosure of the financial position of the City.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Gary Lewis, City Auditor, 130 North High Street, Hillsboro, Ohio 45133, (937) 393-5791.

City of Hillsboro
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 2,486,454	\$ 3,620,228	\$ 6,106,682
Receivables			
Taxes	1,198,554	-	1,198,554
Accounts	170,671	563,215	733,886
Accrued Interest	11	-	11
Due from Other Governments	600,337	-	600,337
Loans Receivable	73,089	-	73,089
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	-	5,000	5,000
Non-Depreciable Capital Assets	624,288	214,668	838,956
Depreciable Capital Assets, Net	<u>11,530,729</u>	<u>30,386,046</u>	<u>41,916,775</u>
<i>Total Assets</i>	<u>\$ 16,684,133</u>	<u>\$ 34,789,157</u>	<u>\$ 51,473,290</u>
LIABILITIES			
Accounts Payable	\$ 69,278	\$ 40,237	\$ 109,515
Contracts Payable	-	17,584	17,584
Accrued Wages and Benefits	116,001	41,543	157,544
Due to Other Governments	67,340	25,977	93,317
Retainage Payable	-	5,000	5,000
Accrued Interest Payable	10,782	39,181	49,963
Long-Term Liabilities			
Due Within One Year	253,724	323,729	577,453
Due in More than One Year	<u>2,863,252</u>	<u>13,621,759</u>	<u>16,485,011</u>
<i>Total Liabilities</i>	<u>3,380,377</u>	<u>14,115,010</u>	<u>17,495,387</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes not Levied to Finance Current Year Operations	<u>287,397</u>	<u>-</u>	<u>287,397</u>
NET POSITION			
Net Investment in Capital Assets	9,290,661	16,702,603	25,993,264
Restricted for			
Debt Service	6,015	-	6,015
Capital Projects	624,437	-	624,437
Street	144,526	-	144,526
Revolving Loan	248,516	-	248,516
Rehab	444,381	-	444,381
Other Purposes	434,602	-	434,602
Unrestricted	<u>1,823,221</u>	<u>3,971,544</u>	<u>5,794,765</u>
<i>Total Net Position</i>	<u>\$ 13,016,359</u>	<u>\$ 20,674,147</u>	<u>\$ 33,690,506</u>

See accompanying notes to the basic financial statements
See accountant's compilation report

City of Hillsboro
Statement of Activities
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental Activities							
General Government							
Legislative and Executive	\$ 1,058,489	\$ 122,298	\$ 26,477	\$ -	\$ (909,714)		\$ (909,714)
Judicial	378,027	50,493	89,497	-	(238,037)		(238,037)
Security of Persons and Property	2,643,380	307,106	235,589	-	(2,100,685)		(2,100,685)
Public Health	19,750	2,317	-	-	(17,433)		(17,433)
Leisure Time Activities	61,330	3,393	17,053	-	(40,974)		(40,974)
Community Environment	292,581	49,348	254,455	-	11,222		11,222
Transportation	718,374	61,918	319,718	-	(336,738)		(336,738)
Interest and Fiscal Charges	138,774	292	14	-	(138,468)		(138,468)
Total Governmental Activities	5,310,705	597,075	942,803	-	(3,770,827)		(3,770,827)
Business-Type Activities							
Sewer	1,770,929	2,172,150	-	1,982,139	-	2,383,360	2,383,360
Water	1,524,314	1,574,808	-	-	-	50,494	50,494
Total Business-Type Activities	3,295,243	3,746,958	-	1,982,139	-	2,433,854	2,433,854
Total Primary Government	\$ 8,605,948	\$ 4,344,033	\$ 942,803	\$ 1,982,139	(3,770,827)	2,433,854	(1,336,973)
General Revenues							
Taxes							
Property Taxes Levied for							
					320,168	-	320,168
					61,030	-	61,030
					35,916	-	35,916
					125,287	-	125,287
					3,337,991	-	3,337,991
Grants and Contributions Not Restricted to Specific Programs							
					248,550	-	248,550
Unrestricted Investment Earnings							
					13,845	950	14,795
Gain on Sale of Capital Assets							
					5,258	-	5,258
Miscellaneous							
					121,893	36,301	158,194
					4,269,938	37,251	4,307,189
Change in Net Position							
					499,111	2,471,105	2,970,216
Net Position, Beginning of the Year							
					12,517,248	18,203,042	30,720,290
Net Position, End of the Year							
					\$ 13,016,359	\$ 20,674,147	\$ 33,690,506

See accompanying notes to the basic financial statements
See accountant's compilation report

City of Hillsboro
Balance Sheet
Governmental Funds
December 31, 2013

	General	All Other Governmental Funds	Total Governmental Funds
ASSETS:			
Equity in Pooled Cash and Cash Equivalents			
Accounts Receivable	\$ 1,132,287	\$ 1,354,167	\$ 2,486,454
Accrued Interest Receivable	162,290	8,381	170,671
Taxes Receivable	11	-	11
Due from Other Governments	1,109,622	88,932	1,198,554
Loans Receivable	67,060	533,277	600,337
	<u>-</u>	<u>73,089</u>	<u>73,089</u>
<i>Total Assets</i>	<u>\$ 2,471,270</u>	<u>\$ 2,057,846</u>	<u>\$ 4,529,116</u>
LIABILITIES:			
Accounts Payable	\$ 42,327	\$ 26,951	\$ 69,278
Accrued Wages and Benefits	102,610	13,391	116,001
Due to Other Governments	<u>48,658</u>	<u>18,682</u>	<u>67,340</u>
<i>Total Liabilities</i>	<u>193,595</u>	<u>59,024</u>	<u>252,619</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes not Levied to Finance Current Year Operations	201,516	85,881	287,397
Unavailable Revenue - Delinquent Taxes	7,158	3,051	10,209
Unavailable Revenue - Income Taxes	552,316	-	552,316
Unavailable Revenue - Grants	<u>48,333</u>	<u>490,717</u>	<u>539,050</u>
<i>Total Deferred Inflows of Resources</i>	<u>809,323</u>	<u>579,649</u>	<u>1,388,972</u>
FUND BALANCES:			
Nonspendable	24,826	-	24,826
Restricted	-	1,419,173	1,419,173
Assigned	201,745	-	201,745
Unassigned	<u>1,241,781</u>	<u>-</u>	<u>1,241,781</u>
<i>Total Fund Balances</i>	<u>1,468,352</u>	<u>1,419,173</u>	<u>2,887,525</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,471,270</u>	<u>\$ 2,057,846</u>	<u>\$ 4,529,116</u>

See accompanying notes to the basic financial statements.
See accountant's compilation report.

City of Hillsboro
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2013

Total Governmental Fund Balances		\$ 2,887,525
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,155,017
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	562,525	
Intergovernmental	<u>539,050</u>	
Total		1,101,575
Long-term liabilities, including bonds, capital lease obligations, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(10,782)	
Capital Lease Payable	(49,356)	
Compensated Absences	(252,620)	
General Obligation Bonds	<u>(2,815,000)</u>	
Total		<u>(3,127,758)</u>
Net Position of Governmental Activities		<u><u>\$ 13,016,359</u></u>

See accompanying notes to the basic financial statements.
 See accountant's compilation report.

City of Hillsboro
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	All Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 3,660,505	\$ 225,503	\$ 3,886,008
Charges for Services	190,754	-	190,754
Licenses and Permits	16,246	49,825	66,071
Fines and Forfeitures	199,488	111,119	310,607
Intergovernmental	237,762	537,110	774,872
Interest	13,393	452	13,845
Rent	8,000	21,643	29,643
Other	14,734	107,159	121,893
<i>Total Revenues</i>	<u>4,340,882</u>	<u>1,052,811</u>	<u>5,393,693</u>
EXPENDITURES			
Current			
General Government			
Legislative and Executive	972,222	47,825	1,020,047
Judicial	278,498	102,704	381,202
Security of Persons and Property	2,219,967	270,354	2,490,321
Public Health	19,241	-	19,241
Leisure Time Activities	-	19,570	19,570
Community Environment	576	292,005	292,581
Transportation	-	366,070	366,070
Capital Outlay	52,339	27,274	79,613
Debt Service	18,669	154,100	172,769
Principal Retirements	2,393	136,879	139,272
Interest and Fiscal Charges			
<i>Total Expenditures</i>	<u>3,563,905</u>	<u>1,416,781</u>	<u>4,980,686</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>776,977</u>	<u>(363,970)</u>	<u>413,007</u>
OTHER FINANCING SOURCES AND USES			
Transfers In	-	439,956	439,956
Proceeds from Sale of Capital Assets	5,365	-	5,365
Inception of Capital Lease	42,900	-	42,900
Transfers Out	(439,956)	-	(439,956)
<i>Total Other Financing Sources and Uses</i>	<u>(391,691)</u>	<u>439,956</u>	<u>48,265</u>
<i>Net Change in Fund Balances</i>	385,286	75,986	461,272
<i>Fund Balances at Beginning of Year</i>	<u>1,083,066</u>	<u>1,343,187</u>	<u>2,426,253</u>
<i>Fund Balance at End of Year</i>	<u>\$ 1,468,352</u>	<u>\$ 1,419,173</u>	<u>\$ 2,887,525</u>

See accompanying notes to the basic financial statements
See accountant's compilation report

City of Hillsboro
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 461,272

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the difference between depreciation and capital asset additions in the current period.

Capital Asset Additions	79,613	
Current Year Depreciation	(633,683)	
	(554,070)	(554,070)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the activity related to disposals.

Proceeds from Sale of Capital Assets	(5,365)	
Gain on Sale of Capital Assets	5,258	
	(107)	(107)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	(5,616)	
Intergovernmental	416,481	
	410,865	410,865

Proceeds from the inception of capital lease in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (42,900)

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 145,000

Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 27,769

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in Compensated Absences	50,784	
Decrease in Accrued Interest Payable	498	
	51,282	51,282

Net Change in Net Position of Governmental Activities \$ 499,111

See accompanying notes to the basic financial statements
 See accountant's compilation report.

City of Hillsboro
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,419,757	\$ 3,626,788	\$ 3,653,889	\$ 27,101
Charges for Services	210,261	222,990	224,656	1,666
Licenses and Permits	15,205	16,126	16,246	120
Fines and Forfeitures	199,647	211,734	213,316	1,582
Intergovernmental	222,394	235,858	237,620	1,762
Interest	16,058	17,030	17,157	127
Rent	7,487	7,941	8,000	59
Other	15,025	15,933	16,054	121
<i>Total Revenues</i>	<u>4,105,834</u>	<u>4,354,400</u>	<u>4,386,938</u>	<u>32,538</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	1,025,704	1,111,882	1,059,772	52,110
Judicial	287,172	311,299	296,710	14,589
Security of Persons and Property	2,287,125	2,479,286	2,363,091	116,195
Public Health	19,729	21,387	20,384	1,003
Community Environment	591	640	610	30
Capital Outlay	9,677	10,492	10,000	492
<i>Total Expenditures</i>	<u>3,629,998</u>	<u>3,934,986</u>	<u>3,750,567</u>	<u>184,419</u>
<i>Excess of Revenues Over Expenditures</i>	<u>475,836</u>	<u>419,414</u>	<u>636,371</u>	<u>216,957</u>
OTHER FINANCING SOURCES AND USES:				
Proceeds from Sale of Capital Assets	5,027	5,325	5,365	40
Transfers Out	(425,813)	(461,589)	(439,956)	21,633
<i>Total Other Financing Sources and Uses</i>	<u>(420,786)</u>	<u>(456,264)</u>	<u>(434,591)</u>	<u>21,673</u>
<i>Net Change in Fund Balance</i>	55,050	(36,850)	201,780	238,630
<i>Fund Balance at Beginning of Year</i>	509,018	509,018	509,018	-
<i>Prior Year Encumbrances Appropriated</i>	186,291	186,291	186,291	-
<i>Fund Balance at End of Year</i>	<u>\$ 750,359</u>	<u>\$ 658,459</u>	<u>\$ 897,089</u>	<u>\$ 238,630</u>

See accompanying notes to the basic financial statements.
See accountant's compilation report.

City of Hillsboro
Statement of Net Position
Proprietary Funds
December 31, 2013

	Water	Sewer	Total
ASSETS:			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$ 745,387	\$ 2,874,841	\$ 3,620,228
Accounts Receivable	235,997	327,218	563,215
Total Current Assets	981,384	3,202,059	4,183,443
<i>Noncurrent Assets</i>			
Restricted Cash and Cash Equivalents	-	5,000	5,000
Non-Depreciable Capital Assets	98,542	116,126	214,668
Depreciable Capital Assets, Net	7,112,071	23,273,975	30,386,046
Total Noncurrent Assets	7,210,613	23,395,101	30,605,714
Total Assets	\$ 8,191,997	\$ 26,597,160	\$ 34,789,157
LIABILITIES:			
<i>Current Liabilities</i>			
Accounts Payable	\$ 10,327	\$ 29,910	\$ 40,237
Retainage Payable	-	5,000	5,000
Contracts Payable	-	17,584	17,584
Accrued Wages and Benefits	20,820	20,723	41,543
Due to Other Governments	13,129	12,848	25,977
Accrued Interest Payable	39,181	-	39,181
Compensated Absences - Current Portion	3,469	3,469	6,938
Capital Leases Payable - Current Portion	38,580	38,580	77,160
OWDA Loans - Current Portion	-	88,631	88,631
Revenue Bonds Payable - Current Portion	141,000	-	141,000
OPWC Loans - Current Portion	-	10,000	10,000
Total Current Liabilities	266,506	226,745	493,251
<i>Noncurrent Liabilities</i>			
Long Term Liabilities:			
OWDA Loans Payable - Net of Current Portion	-	8,161,482	8,161,482
Compensated Absences Payable - Net of Current Portion	17,113	45,910	63,023
Revenue Bonds Payable - Net of Current Portion	5,156,000	-	5,156,000
Capital Leases Payable - Net of Current Portion	63,127	63,127	126,254
OPWC Loans - Net of Current Portion	-	115,000	115,000
Total Noncurrent Liabilities	5,236,240	8,385,519	13,621,759
Total Liabilities	5,502,746	8,612,264	14,115,010
NET POSITION:			
Net Investment in Capital Assets Unrestricted	1,811,906	14,890,697	16,702,603
	877,345	3,094,199	3,971,544
Total Net Position	\$ 2,689,251	\$ 17,984,896	\$ 20,674,147

See accompanying notes to the basic financial statements.
See accountant's compilation report.

City of Hillsboro
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for Services	\$ 1,555,344	\$ 2,170,789	\$ 3,726,133
Tap-In Fees	9,300	-	9,300
Other	10,164	1,361	11,525
<i>Total Operating Revenues</i>	<u>1,574,808</u>	<u>2,172,150</u>	<u>3,746,958</u>
OPERATING EXPENSES			
Salaries and Wages	480,344	491,501	971,845
Fringe Benefits	195,262	182,535	377,797
Contractual Services	148,180	173,016	321,196
Materials & Supplies	100,568	54,901	155,469
Utilities	88,194	184,423	272,617
Other	59,188	604	59,792
Depreciation Expense	210,820	623,494	834,314
<i>Total Operating Expenses</i>	<u>1,282,556</u>	<u>1,710,474</u>	<u>2,993,030</u>
<i>Operating Income</i>	292,252	461,676	753,928
NONOPERATING REVENUES (EXPENSES)			
Loss on Disposal of Capital Assets	(913)	(913)	(1,826)
Interest	-	950	950
Other Non-Operating Revenues	36,301	-	36,301
Interest and Fiscal Charges	(240,845)	(59,542)	(300,387)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(205,457)</u>	<u>(59,505)</u>	<u>(264,962)</u>
<i>Changes in Net Position Before Capital Contributions</i>	86,795	402,171	488,966
Capital Contribution - Intergovernmental	-	1,982,139	1,982,139
<i>Changes in Net Postion</i>	86,795	2,384,310	2,471,105
<i>Net Position at Beginning of Year</i>	<u>2,602,456</u>	<u>15,600,586</u>	<u>18,203,042</u>
<i>Net Position at End of Year</i>	<u>\$ 2,689,251</u>	<u>\$ 17,984,896</u>	<u>\$ 20,674,147</u>

See accompanying notes to the basic financial statements.
See accountant's compilation report.

City of Hillsboro
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>			
<i>Cash Flows from Operating Activities:</i>			
Cash Received from Customers	\$ 1,568,478	\$ 2,164,649	\$ 3,733,127
Cash Payments to Suppliers for Goods and Services	(418,250)	(614,529)	(1,032,779)
Cash Payments to Employees for Services and Benefits	(663,796)	(661,889)	(1,325,685)
<i>Net Cash Provided by Operating Activities</i>	<u>486,432</u>	<u>888,231</u>	<u>1,374,663</u>
<i>Cash Flows from Noncapital Financing Activities:</i>			
Other Nonoperating Revenues	36,301	-	36,301
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>36,301</u>	<u>-</u>	<u>36,301</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>			
Receipts from Capital Grants	-	1,982,139	1,982,139
Proceeds from OWDA Loan	-	145,255	145,255
Payments for Capital Acquisitions	(75,943)	(208,828)	(284,771)
Principal Payments	(135,000)	(2,347,970)	(2,515,400)
Interest Payments	(240,988)	(58,576)	(299,564)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(451,931)</u>	<u>(487,980)</u>	<u>(972,341)</u>
<i>Cash Flows from Investing Activities:</i>			
Interest on Investments	-	950	950
<i>Net Cash Provided by Investing Activities</i>	<u>-</u>	<u>950</u>	<u>950</u>
Net Increase in Cash and Cash Equivalents	70,802	401,201	472,003
Cash and Cash Equivalents at Beginning of Year	674,585	2,478,640	3,153,225
Cash and Cash Equivalents at End of Year	<u>\$ 745,387</u>	<u>\$ 2,879,841</u>	<u>\$ 3,625,228</u>

(Continued)

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City of Hillsboro
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Water	Sewer	Total
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</i>			
Operating Income	\$ 292,252	\$ 461,676	\$ 753,928
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</i>			
Depreciation	210,820	623,494	834,314
Changes in Assets and Liabilities:			
(Increase) in Accounts Receivable	(6,330)	(7,501)	(13,831)
Decrease in Accounts Payable - Operating	(22,120)	(7,324)	(29,444)
Decrease in Contracts Payable - Operating	-	(122,271)	(122,271)
Increase in Accrued Wages and Benefits	9,235	9,250	18,485
Increase in Compensated Absences Payable	4,559	5,181	9,740
Decrease in Retainage Payable	-	(71,990)	(71,990)
Decrease in Due to Other Governments	(1,984)	(2,284)	(4,268)
Total Adjustments	194,180	426,555	620,735
Net Cash Provided by Operating Activities	\$ 486,432	\$ 888,231	\$ 1,374,663

See accompanying notes to the basic financial statements.
See accountant's compilation report.

City of Hillsboro
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2013

	<u>Agency</u>
ASSETS:	
Cash and Cash Equivalents in Segregated Accounts	\$ 73,987
Receivables:	
Accounts	<u>157,312</u>
<i>Total Assets</i>	<u><u>\$ 231,299</u></u>
LIABILITIES :	
Due to Other Governments	\$ 92,814
Undistributed Monies	64,377
Deposits Held and Due to Others	<u>74,108</u>
<i>Total Liabilities</i>	<u><u>\$ 231,299</u></u>

See accompanying notes to the basic financial statements.
See accountant's compilation report.

City of Hillsboro
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

I. FINANCIAL REPORTING ENTITY

The financial statements of the City of Hillsboro have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

CITY GOVERNMENT AND REPORTING ENTITY

The City of Hillsboro (the "City"), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City, named in honor of Lord Hillsborough, was founded in 1807 by David Hayes and was named the county seat of Highland County. On January 1, 1952, Hillsboro was first organized as a city under the laws of the State of Ohio.

The City of Hillsboro is a home rule municipal corporation established under the laws of the State of Ohio. The legislative authority is vested in a seven member council three of whom are elected at-large and four by ward for four year terms. The presiding officer is the president, who is elected by the Council for a two year term. Council enacts ordinances and resolutions relating to tax levies, city services, and licensing, appropriates and borrows money, and accepts bids for materials and services and other municipal purposes. The mayor is elected at-large and is the Chief Executive Officer of the City. The Mayor supervises the administration of all departments and appoints their directors and all other employees in accordance with civil service requirements.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are fairly presented and completed. The primary government consists of all funds, departments, boards and commissions that are not legally separate from the City. The City departments include a public safety department, a public service department, a parks and recreation department, a planning and zoning department, income tax department, utility departments including sewer and water, and staff to provide support to service providers.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or levying of taxes. The City has no blended or discretely presented component units.

The Hillsboro Municipal Court which provides judiciary services is included as an agency fund in the City's financial statements. The Municipal Court Judge is an elected City Official who has a fiduciary responsibility for the collection and distribution of the court fees and fines.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The City's basic financial statements consist of government-wide statements, including a statement of net position and statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies that extent to which each governmental function or business segment is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain functions or activities in separate funds in order to assist financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

FUND ACCOUNTING

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The City maintains records showing revenues, actual and accrued expenditures, and encumbrances to assure legal and accounting compliance and to assure that budgetary authority is not exceeded. The difference between governmental fund assets and deferred outflows and liabilities and deferred inflows is reported as fund balance. The following is the City's major governmental fund:

General Fund - This fund is established to account for resources devoted to financing the general services that the City performs for its residents that are not accounted for or reported in another fund. Municipal income tax, general tax revenues, as well as other sources of revenue used to finance the fundamental operations of the City are included in this fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the City account for grants and other resources, debt service and capital projects that are generally restricted to use for a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund - This fund accounts for the provision of water treatment and distribution to residential and commercial users within the City.

Sewer Fund - This fund accounts for the provision of wastewater treatment services to residential and commercial users within the City.

Fiduciary Funds - Fiduciary funds are used to account for assets held by the City as a trustee or as an agent for individuals, private organizations, or other units of government. The fiduciary fund category is split into four classifications: agency funds, pension trust funds, investment trust funds, and private purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's fiduciary fund consists only of an agency fund which is used to account for the activities of the Hillsboro Municipal Court.

City of Hillsboro
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

MEASUREMENT FOCUS

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all liabilities and all deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and liabilities and deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities on the government-wide financial statements are prepared. Government fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of government funds.

Like the government-wide financial statements, all enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

BASIS OF ACCOUNTING

Accounting basis determines when transactions and economic events are reflected in its financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting; proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue and in the presentation of expenses versus expenditures.

Revenues-Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal yearend: interest and grants.