
CITY OF ROCK HILL, MISSOURI

FINANCIAL REPORT
(Audited)

Year Ended March 31, 2007

CITY OF ROCK HILL, MISSOURI
FINANCIAL REPORT

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Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

INDEPENDENT AUDITORS' REPORT

August 29, 2007

Honorable Mayor and Members of the Board of Aldermen
CITY OF ROCK HILL, MISSOURI

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **CITY OF ROCK HILL, MISSOURI** (the City) as of and for the year ended March 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of March 31, 2007, and the respective changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note J to the financial statements, the City changed its basis of accounting from the modified cash basis to the modified accrual basis for the year ended March 31, 2007.

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In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2007, on our consideration of the City'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplemental information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, as listed in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hochschild, Bloom + Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2007

As management of the City of Rock Hill, Missouri (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2007. We encourage readers to consider the information presented here along with the City's financial statements, including footnotes that follow this Management's Discussion and Analysis (MD&A).

FINANCIAL HIGHLIGHTS

- On a government-wide basis the liabilities of the City exceeded its assets for the most recent fiscal year by (\$8,526,093). The City has a deficit unrestricted net assets totaling (\$9,810,515) due to \$10,064,494 in TIF Notes outstanding at year-end for infrastructure assets not owned by the City.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,665,257.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$914,353.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplemental information and other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City in a manner similar to a private-sector business. Note that the government-wide financial statements exclude fiduciary fund activities.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two 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 is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2007

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administration, police services, fire services, public works, parks and recreation, housing, judicial, and economic development. The City does not operate any business-type activities.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds. The City has no proprietary (enterprise or internal service) funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the government-wide governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for three major funds: General Fund, Street Bond Special Revenue Fund, and the NW/SW Redevelopment Fund. Data from the other governmental funds are combined in to a single, aggregated presentation called "nonmajor governmental funds." Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements in the other supplemental information section in this report.

The City adopts an annual appropriated budget for the General Fund. Budgetary comparison statements have been provided for all budgeted funds to demonstrate legal compliance with the respective adopted budget.

The governmental funds financial statements can be found on pages 12 through 15 of this report.

**CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2007**

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds (which the City has none). The statement of fiduciary net assets and statement of changes in fiduciary net assets - Pension Trust Fund can be found on pages 16 and 17 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 through 34 of this report.

Required supplemental information. In addition to the basic financial statements and accompanying notes, certain required supplemental information can be found on pages 36 through 42 of this report.

Other supplemental information. The combining and individual fund statements, referred to earlier in connection with nonmajor governmental funds, are presented immediately following the required supplemental information. Combining and individual fund statements and schedules can be found on pages 44 through 46 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City presents its financial statements under the reporting model required by the Government Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

The City's combined net assets (deficiency) decreased to (\$8,526,093) from a deficit of (\$6,237,138) or (36.7%) in the most recent fiscal year ended March 31, 2007.

The City's condensed statement of net assets is as follows:

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2007

	March 31		2007 Change	
	2007	2006	Amount	Percent
ASSETS				
Current and other assets	\$ 1,855,432	775,903	1,079,529	139.1%
Capital assets, net	<u>3,369,430</u>	<u>3,336,670</u>	<u>32,760</u>	1.0
Total Assets	<u>5,224,862</u>	<u>4,112,573</u>	<u>1,112,289</u>	27.0
LIABILITIES				
Long-term liabilities	13,630,143	10,224,701	3,405,442	33.3
Current liabilities	<u>120,812</u>	<u>125,010</u>	<u>(4,198)</u>	(3.4)
Total Liabilities	<u>13,750,955</u>	<u>10,349,711</u>	<u>3,401,244</u>	32.9
NET ASSETS (DEFICIENCY)				
Invested in capital assets, net of related debt	919,430	771,670	147,760	19.1
Restricted	364,992	88,548	276,444	312.2
Unrestricted (deficit)	<u>(9,810,515)</u>	<u>(7,097,356)</u>	<u>(2,713,159)</u>	(38.2)
Total Net Assets (Deficiency)	<u>(\$ 8,526,093)</u>	<u>(6,237,138)</u>	<u>(2,288,955)</u>	(36.7%)

The largest portion of the City's net assets, \$919,430 in 2007, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$364,992 in 2007, represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, regulations or other governments, or restrictions imposed by law through constitutional provisions or legislation.

The remaining category of the City's net assets represents a deficit unrestricted net assets balance of (\$9,810,515) in 2007. This deficit is primarily the result of the balance of \$10,064,494 in TIF Notes outstanding at year-end for infrastructure assets not owned by the City. The TIF Notes are limited obligations of the City and are funded only by incremental revenues generated within the TIF district.

Governmental activities. Governmental activities decreased the City's net assets by (\$2,288,955). Key elements of this are as follows.

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2007

	For The Years		2007 Change	
	Ended March 31		Amount	Percent
	2007	2006		
REVENUES				
Program revenues:				
Charges for services	\$ 533,536	621,408	(87,872)	(14.1%)
Operating grants and contributions	<u>408,578</u>	<u>279,311</u>	<u>129,267</u>	46.3
	942,114	900,719	41,395	4.6
General revenues:				
Taxes	3,405,725	3,431,607	(25,882)	(0.8)
Licenses	217,456	205,477	11,979	5.8
Investment income	28,987	10,964	18,023	164.4
Miscellaneous	137,836	83,951	53,885	64.2
Gain on sale of capital assets	<u>-</u>	<u>1,327,677</u>	<u>(1,327,677)</u>	(100.0)
Total Revenues	<u>4,732,118</u>	<u>5,960,395</u>	<u>(1,228,277)</u>	(20.6)
EXPENSES				
Administration	708,064	1,023,263	(315,199)	(30.8)
Police department	974,993	1,169,508	(194,515)	(16.6)
Fire department	715,554	838,408	(122,854)	(14.7)
Public works	523,213	841,467	(318,254)	(37.8)
Parks and recreation	129,643	150,530	(20,887)	(13.9)
Housing department	56,859	80,499	(23,640)	(29.4)
Municipal court	155,356	152,712	2,644	1.7
Economic development	3,628,898	6,435,596	(2,806,698)	(43.6)
Interest on long-term debt	<u>128,493</u>	<u>279,033</u>	<u>(150,540)</u>	(54.0)
Total Expenses	<u>7,021,073</u>	<u>10,971,016</u>	<u>(3,949,943)</u>	(36.0)
CHANGE IN NET ASSETS	(2,288,955)	(5,010,621)	2,721,666	54.3
NET ASSETS (DEFICIENCY), APRIL 1	<u>(6,237,138)</u>	<u>(1,226,517)</u>	<u>(5,010,621)</u>	(408.5)
NET ASSETS (DEFICIENCY), MARCH 31	<u>(\$ 8,526,093)</u>	<u>(6,237,138)</u>	<u>(2,288,955)</u>	(36.7%)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2007

At March 31, 2007, the City's combined fund balance was \$1,665,257, an increase of \$1,059,761 from 2006. Over 77% of the total amount (\$1,300,265) constitutes unreserved fund balance which is available for spending at the City's discretion.

During the year ended March 31, 2007, the fund balance in the City's General Fund increased by \$937,982 or 377% from the prior year fund balance. The change of the current year's fund balance is mainly due to a significant decrease in expenditures.

Changes in fund balances for other major governmental funds can be described as follows:

- The Street Bond Special Revenue Fund increased by \$31,469. This increase was mainly due to the completion of street improvements resulting in reduced capital outlay in the fund.
- The NW/SW Redevelopment Fund increased by \$121,882 due to increased property tax collections from new development.

Fiduciary funds. The City maintains an Agency Fund for monies received and held for the benefit of others from collection and release of monies for asset forfeiture. At March 31, 2007, cash in the Agency Fund equaled \$4,518 due to normal activity.

The City also maintains a fiduciary fund for the assets of the uniformed personnel through the Police and Firemen's Pension Fund. As of the end of the current fiscal year ending March 31, 2007, the net assets of the Pension Trust Fund totaled \$1,298,399.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City has invested, net of accumulated depreciation, \$3,369,430 at March 31, 2007 in a broad range of capital assets, including park facilities, roads, buildings, machinery and equipment, automobiles, trucks, and infrastructure. This amount represents a net increase for the current fiscal year (including additions and deductions) of \$32,760. The City purchased capital assets totaling \$138,244 and sold capital assets with an original cost of \$142,569 during the fiscal year ended March 31, 2007. The City's capital assets, net of accumulated depreciation, consisted of:

	<u>March 31</u>		<u>2007 Change</u>	
	<u>2007</u>	<u>2006</u>	<u>Amount</u>	<u>Percent</u>
Land	\$1,506,859	1,506,859	-	- %
Buildings and improvements	418,600	432,939	(14,339)	(3.3)
Vehicles	39,543	74,815	(35,272)	(47.1)
Equipment	46,737	57,743	(11,006)	(19.1)
Infrastructure	<u>1,357,691</u>	<u>1,264,314</u>	<u>93,377</u>	7.4
Total	<u>\$3,369,430</u>	<u>3,336,670</u>	<u>32,760</u>	1.0%

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2007

Additional information on the City's capital assets can be found in Note C in the notes to financial statements.

Long-term debt. At March 31, 2007, the City had total long-term debt obligations for governmental activities in the amount of \$13,630,143 compared to \$10,224,701 at March 31, 2006. The following is a summary of long-term debt:

	<u>March 31</u>		<u>2007 Change</u>	
	<u>2007</u>	<u>2006</u>	<u>Amount</u>	<u>Percent</u>
General obligation bonds	\$ 2,450,000	2,565,000	(115,000)	(4.5%)
Tax increment revenue bonds	513,200	683,200	(170,000)	(24.9)
Tax increment financing notes	10,064,494	6,435,596	3,628,898	56.4
Certificates of participation	476,750	476,750	-	-
Compensated absences	<u>125,699</u>	<u>64,155</u>	<u>61,544</u>	95.9
Total	<u>\$13,630,143</u>	<u>10,224,701</u>	<u>3,405,442</u>	33.3%

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES

In the General Fund the following significant variances occurred between budget and actual expenditures:

- Administration department was \$40,648 under budget mainly due to a decrease in contracted services.
- Public Works department was \$62,280 under budget mainly due to a decrease in salaries and rock, asphalt, and salt purchases.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Rock Hill
9511 Manchester Road
Rock Hill, MO 63119

CITY OF ROCK HILL, MISSOURI**STATEMENT OF NET ASSETS****MARCH 31, 2007**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,337,785
Receivables (net):	
Property tax	98,258
Municipal taxes	378,745
Intergovernmental	34,483
Other	6,161
Capital assets:	
Land	1,506,859
Other capital assets, net of accumulated depreciation	1,862,571
Total Assets	<u>5,224,862</u>
LIABILITIES	
Accounts payable	24,662
Accrued payroll	44,836
Accrued interest	9,224
Due to others	14,727
Plan deposits	27,363
Noncurrent liabilities:	
Due within one year	132,570
Due in more than one year	13,497,573
Total Liabilities	<u>13,750,955</u>
NET ASSETS (DEFICIENCY)	
Invested in capital assets, net of related debt	919,430
Restricted for:	
Debt service	92,818
Capital improvements	135,194
Stormwater/parks projects	136,980
Unrestricted (deficit)	<u>(9,810,515)</u>
Total Net Assets (Deficiency)	<u>\$ (8,526,093)</u>

CITY OF ROCK HILL, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

	Expenses	Program Revenues			Net Revenues (Expenses) And Changes In Net Assets
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
FUNCTIONS/PROGRAMS					
Governmental Activities					
Administration	\$ 708,064	27,187	-	-	(680,877)
Police department	974,993	434,629	-	-	(540,364)
Fire department	715,554	-	-	-	(715,554)
Public works	523,213	54,060	289,715	-	(179,438)
Parks and recreation	129,643	17,660	118,863	-	6,880
Housing department	56,859	-	-	-	(56,859)
Municipal court	155,356	-	-	-	(155,356)
Economic development	3,628,898	-	-	-	(3,628,898)
Interest on long-term debt	128,493	-	-	-	(128,493)
Total Governmental Activities	<u>\$ 7,021,073</u>	<u>533,536</u>	<u>408,578</u>	<u>-</u>	<u>(6,078,959)</u>

General Revenues	
Taxes:	
Property	760,051
Sales	1,981,302
Utility	664,372
Licenses	217,456
Investment income	28,987
Miscellaneous	137,836
Total General Revenues	<u>3,790,004</u>

CHANGE IN NET ASSETS	(2,288,955)
NET ASSETS (DEFICIENCY), APRIL 1	(6,237,138)
NET ASSETS (DEFICIENCY), MARCH 31	<u>\$ (8,526,093)</u>

See notes to financial statements

CITY OF ROCK HILL, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2007

	<u>General Fund</u>	<u>Street Bond Special Revenue Fund</u>	<u>NW/SW Redevelopment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Govern- mental Funds</u>
ASSETS					
Cash and investments	\$ 878,168	61,467	117,271	280,879	1,337,785
Receivables (net):					
Property taxes	32,553	34,291	23,990	7,424	98,258
Municipal taxes	378,745	-	-	-	378,745
Intergovernmental	34,483	-	-	-	34,483
Other receivables	6,161	-	-	-	6,161
Due from other funds	-	-	-	1,128	1,128
Total Assets	<u>\$ 1,330,110</u>	<u>95,758</u>	<u>141,261</u>	<u>289,431</u>	<u>1,856,560</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 24,662	-	-	-	24,662
Accrued payroll	44,836	-	-	-	44,836
Deferred revenues	31,995	27,213	19,379	-	78,587
Due to others	14,727	-	-	-	14,727
Due to other funds	-	-	-	1,128	1,128
Plan deposits	27,363	-	-	-	27,363
Total Liabilities	<u>143,583</u>	<u>27,213</u>	<u>19,379</u>	<u>1,128</u>	<u>191,303</u>
Fund Balances					
Reserved for:					
Debt service	-	-	-	92,818	92,818
Capital improvements	135,194	-	-	-	135,194
Stormwater/parks projects	136,980	-	-	-	136,980
Unreserved	914,353	68,545	121,882	195,485	1,300,265
Total Fund Balances	<u>1,186,527</u>	<u>68,545</u>	<u>121,882</u>	<u>288,303</u>	<u>1,665,257</u>
Total Liabilities And Fund Balances	<u>\$ 1,330,110</u>	<u>95,758</u>	<u>141,261</u>	<u>289,431</u>	<u>1,856,560</u>

CITY OF ROCK HILL, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
MARCH 31, 2007

Total Fund Balances - Total Governmental Funds \$ 1,665,257

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

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds. The cost of the assets is \$4,403,030
and the accumulated depreciation is \$1,033,600. 3,369,430

Some revenues are not available soon enough to pay for current expenditures and
are not reported as revenues in the funds. 78,587

Certain long-term liabilities are not due and payable in the current period and,
therefore, are not reported as liabilities in the governmental funds. Long-term
liabilities at year-end consist of:

Accrued compensated absences	(125,699)
Accrued interest payable	(9,224)
Bonds payable	(2,963,200)
Tax increment financing notes	(10,064,494)
Certificates of participation payable	<u>(476,750)</u>

Total Net Assets (Deficiency) Of Governmental Activities \$ (8,526,093)

CITY OF ROCK HILL, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	General Fund	Street Bond Special Revenue Fund	NW/SW Redevelopment Fund	Other Govern- mental Funds	Total Govern- mental Funds
REVENUES					
Property taxes	\$ 251,079	257,459	121,816	106,057	736,411
Gross receipts taxes	664,372	-	-	-	664,372
Licenses and permits	217,456	-	-	-	217,456
Intergovernmental	312,420	-	-	-	312,420
Sales tax	1,912,371	-	-	46,226	1,958,597
Fines and court costs	434,629	-	-	-	434,629
Investment income	24,831	-	-	4,156	28,987
Miscellaneous	293,256	3,610	66	58,674	355,606
Total Revenues	4,110,414	261,069	121,882	215,113	4,708,478
EXPENDITURES					
Current:					
Administration	615,738	-	-	5,774	621,512
Police department	943,711	-	-	-	943,711
Fire department	674,597	-	-	-	674,597
Public works	423,816	-	-	-	423,816
Parks and recreation	122,886	-	-	-	122,886
Housing department	56,646	-	-	-	56,646
Municipal court	144,851	-	-	-	144,851
Economic development	-	-	3,628,898	-	3,628,898
Capital outlay	149,651	-	-	56,692	206,343
Debt service:					
Principal	-	115,000	-	170,000	285,000
Interest	40,536	114,600	-	14,219	169,355
Total Expenditures	3,172,432	229,600	3,628,898	246,685	7,277,615
REVENUES OVER (UNDER)					
EXPENDITURES	937,982	31,469	(3,507,016)	(31,572)	(2,569,137)
OTHER FINANCING					
SOURCES (USES)					
Tax increment notes issued	-	-	3,628,898	-	3,628,898
Transfers in	-	-	-	311,294	311,294
Transfers out	-	-	-	(311,294)	(311,294)
Total Other Financing Sources (Uses)	-	-	3,628,898	-	3,628,898
NET CHANGE IN FUND					
BALANCES	937,982	31,469	121,882	(31,572)	1,059,761
FUND BALANCES, APRIL 1	248,545	37,076	-	319,875	605,496
FUND BALANCES, MARCH 31	\$ 1,186,527	68,545	121,882	288,303	1,665,257

See notes to financial statements

CITY OF ROCK HILL, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

Net Change In Fund Balances - Governmental Funds	\$ 1,059,761
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures, however, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays over the capitalization threshold totaling \$138,244 exceeded depreciation (\$98,352) in the current period.	39,892
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations) is to increase (decrease) net assets.	(7,132)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the net effect of these differences in the treatment of long-term debt.	
Debt issued:	
Tax increment financing notes	(3,628,898)
Repayments:	
Bonds payable	285,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Increase in deferred revenues	23,640
Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. The net changes of these items are:	
Increase in accrued compensated absences	(61,544)
Decrease in accrued interest	326
Change In Net Assets Of Governmental Activities	<u>\$ (2,288,955)</u>

See notes to financial statements

CITY OF ROCK HILL, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
MARCH 31, 2007

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash	\$ -	4,518
Investments:		
Mutual funds	<u>1,298,399</u>	<u>-</u>
Total Assets	<u>1,298,399</u>	<u>4,518</u>
LIABILITIES		
Deposits held for others	<u>-</u>	<u>4,518</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 1,298,399</u></u>	<u><u>-</u></u>

CITY OF ROCK HILL, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
PENSION TRUST FUND
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Pension Trust Fund</u>
ADDITIONS	
Dividends	\$ 74,386
Net appreciation in fair value of investments	<u>42,492</u>
Total Additions	116,878
DEDUCTIONS	
Benefits paid	<u>153,962</u>
NET DECREASE	(37,084)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, APRIL 1	<u>1,335,483</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, MARCH 31	<u><u>\$ 1,298,399</u></u>

CITY OF ROCK HILL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **CITY OF ROCK HILL, MISSOURI** (the City) was incorporated on April 29, 1929. The City operates under a council-manager form of government and provides the following services: public safety (police and fire), public works, parks and recreation, housing, judicial, and general administrative services.

The accounting policies and financial reporting practices of the City conform to U.S. generally accepted accounting principals as applied to governmental entities. The following is a summary of the more significant policies.

1. Reporting Entity

In evaluating the City as a reporting entity, management has addressed all component units for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. In accordance with GASB Statement No. 14, the City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. It has been determined that the City does not have a component unit.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are Pension Trust Fund financial statements. The Agency Fund's financial statements are reported using the accrual basis of accounting with no economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due (i.e., matured).

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund -- The General Fund accounts for all activities except those required to be accounted for in another fund. Revenues in this fund are derived from taxes, fees, and other sources that are used for general ongoing government services such as parks, police, fire, public works, and administration.

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Street Bond Special Revenue Fund -- The Street Bond Special Revenue Fund is used to account for the property tax revenues levied for the repayment of long-term debt principal, interest, and related costs.

NW/SW Redevelopment Fund -- The NW/SW Redevelopment Fund is used to account for tax increment financing revenue from the NW/SW redevelopment area.

Additionally, the City reports the following fund types:

Pension Trust Fund -- The Pension Trust Fund is used to account for assets held in a trustee capacity for the City's eligible employees.

Agency Fund -- The Agency Fund (Asset Forfeiture) is used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Cash and Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements. The City invests all temporary cash surpluses in certificates of deposit with various banks as authorized by Missouri state statute.

Investments are reported at fair value or cost which approximates fair value.

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Capital Assets (Continued)

government-wide financial statements, net of accumulated depreciation. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The City has elected not to record the historical cost of infrastructure placed in service prior to April 1, 2004.

Depreciation is being computed on the straight-line method with no depreciation in the year placed in service, using asset lives as follows:

Assets	Years
Buildings and improvements	10 - 40
Vehicles	5 - 7
Equipment	7 - 25
Infrastructure	40

6. Compensated Absences

The City accrues compensated absences when vested. The current and noncurrent portions are recorded in the government-wide financial statements.

Vacations accrue to employees based on their anniversary date of employment and are limited to a maximum of ten days over the employee's yearly entitlement. Upon leaving employment of the City, an employee is entitled to payment for accrued vacation.

Compensatory time accrues to a maximum of two hundred forty hours for Fire Fighters, eighty hours for Police Officers, and forty hours for all other employees

Sick leave accrues to a maximum of four hundred eighty hours for all employees except Fire Fighters and six hundred forty eight hours for Fire Fighters. Upon leaving employment of the City, an employee is not entitled to payment for accrued sick leave.

7. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Long-term Liabilities (Continued)

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

9. Property Taxes

The City levies a tax on the assessed value of all real and personal property located within the City as of January 1 each year. Taxes are levied in September and are considered delinquent if not paid by December 31. St. Louis County assesses property values, collects the tax, and remits collected amounts to the City. Property taxes are levied per \$100 of assessed valuation.

10. Allowance

Receivables are shown net of an allowance for uncollectibles of \$6,162.

11. Use of Estimates

The preparation of basic financial statements requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF ROCK HILL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS

1. Deposits

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation.

As of March 31, 2007, the City's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

2. Investments

As of March 31, 2007, the City had the following investments:

<u>Investments</u>	<u>Fair Market Value</u>	<u>No Maturity</u>	<u>Less Than One Year</u>	<u>Credit Risk</u>
Primary Government				
Money market funds	\$ 306,676	306,676	-	Unrated
Repurchase agreements	930,169	930,169	-	N/A
Certificates of deposit	<u>15,958</u>	<u>-</u>	<u>15,958</u>	N/A
Total Primary Govern- ment	1,252,803	1,236,845	15,958	
Fiduciary Funds				
Mutual funds	<u>1,298,399</u>	<u>1,298,399</u>	<u>-</u>	N/A
Grand Total Investments	<u>\$2,551,202</u>	<u>2,535,244</u>	<u>15,958</u>	

Investments Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City minimizes credit risk by pre-qualifying the financial institutions, brokers/dealers, and advisors with which the City will do business and diversifying the portfolio to reduce potential losses on individual securities.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing primarily in shorter term securities.

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City minimizes concentration of credit risk by diversifying the investment portfolio.

NOTE C - CAPITAL ASSETS

The following is a summary of changes in capital assets - governmental activities:

	For The Year Ended March 31, 2007			Balance March 31 2007
	Balance March 31 2006	Additions	Retirements/ Transfers	
Governmental Activities				
Capital assets not being depreciated:				
Land	\$1,506,859	-	-	1,506,859
Capital assets being depreciated:				
Buildings and improvements	727,996	-	132,584	595,412
Vehicles	306,097	-	(360,339)	666,436
Equipment	540,460	8,474	370,324	178,610
Infrastructure	1,325,943	129,770	-	1,455,713
Total Capital Assets Being Depreciated	2,900,496	138,244	142,569	2,896,171
Less - Accumulated depreciation for:				
Buildings and improvements	295,057	14,339	132,584	176,812
Vehicles	231,282	33,076	(362,535)	626,893
Equipment	482,717	14,544	365,388	131,873
Infrastructure	61,629	36,393	-	98,022
Total Accumulated Depreciation	1,070,685	98,352	135,437	1,033,600
Total Capital Assets Being Depreciated, Net	1,829,811	39,892	7,132	1,862,571
Governmental Activities Capital Assets, Net	\$3,336,670	39,892	7,132	3,369,430

Depreciation expense was charged to functions/programs of the primary government as follows:

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

	For The Year Ended March 31, 2007
Governmental activities:	
Administration	\$ 7,954
Public works	70,581
Parks and recreation	3,014
Fire department	5,490
Police department	<u>11,313</u>
	<u>\$98,352</u>

NOTE D - EMPLOYEE RETIREMENT SYSTEMS

Missouri Local Government Employees Retirement System

1. Plan Description

The City's non-uniformed employees participate in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan, which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, Section RSMo 70.600 - 70.755. As such, it is LAGERS' 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 it is tax exempt. LAGERS 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.

2. Funding Policy

The City's full-time employees do not contribute to the pension plan. The City is required by state statute to contribute at an actuarially determined rate; the current rate is 1% (general) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

CITY OF ROCK HILL, MISSOURI**NOTES TO FINANCIAL STATEMENTS****NOTE D - EMPLOYEE RETIREMENT SYSTEMS (Continued)****Missouri Local Government Employees Retirement System (Continued)****3. Annual Pension Cost**

For 2006, the City's annual pension cost of \$4,412 was equal to the required and actual contributions. The required contribution was determined as part of the February 28/29, 2004 and/or 2005 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually; b) projected salary increases of 4% per year, compounded annually attributable to inflation; c) additional projected salary increases ranging from 0% to 6% per year, depending on age, attributable to seniority/merit; d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back zero years for men and zero years for women; and e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back one year for men and seven years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2006 was 15 years.

Three-year trend information follows:

<u>For The Plan Years Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ 4,412	100%	\$ -
2005	7,160	100	-
2004	16,032	100	-

Schedule of funding progress follows:

<u>For The Actuarial Valuation Years Ended February 28/29</u>	<u>Actuarial Value Of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Excess Actuarial Assets Over Liability</u>
2006	\$1,035,746	\$628,810	\$406,936
2005	960,685	549,275	411,410
2004	1,086,808	646,875	439,933
2003	1,101,324	758,023	343,301
2002	1,443,652	992,355	451,297

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - EMPLOYEE RETIREMENT SYSTEMS (Continued)

Missouri Local Government Employees Retirement System (Continued)

3. Annual Pension Cost (Continued)

For The Actuarial Valuation Years Ended February 28/29	Funded Ratio	Annual Covered Payroll	Unfunded AAL As A Percentage Of Covered Payroll
2006	165%	\$554,597	- %
2005	175	550,825	-
2004	168	563,268	-
2003	145	698,722	-
2002	145	625,644	-

Note: The above assets and AAL do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS' office in Jefferson City.

Pension Plan for the Uniformed Employees of the City of Rock Hill

1. Plan Description

The Pension Plan for the Uniformed Employees of the City of Rock Hill (the Plan) is a single-employer, defined benefit pension plan covering all full-time employees of the Police and Fire Departments of the City hired before October 28, 2003. The Plan provides retirement benefits based on service and salary with the City. The Plan also provides to the deceased member's spouse or children, based on the participant's service and salary with the City. The Plan is considered part of the City's financial reporting entity.

As of May 1, 2006 (the most recent actuarial valuation date), membership in the Plan is comprised of the following:

Retirees and beneficiaries currently receiving benefits and vested terminated employees	19
Active employees	12

Covered employees are vested in their Accrued Monthly Pension Benefit after 5 or more years of vesting service.

NOTE D - EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Plan for the Uniformed Employees of the City of Rock Hill (Continued)

1. Plan Description (Continued)

Covered employees who have attained the age of 60 years and have 20 years of vesting service shall be eligible for normal retirement benefits. Covered employees who have attained the age of 50 years and have 10 years of vesting service shall be eligible for early retirement benefits.

Participants who had not started receiving benefits by May 1, 2003 shall be eligible to receive 30% for their final average monthly compensation reduced by 1/20th for each year of benefit service at normal retirement less than 20 years plus a temporary benefit of 20% of final average monthly compensation reduced 1/20th for each year of benefit service at normal retirement less than 20 years. This temporary benefit shall be payable only until the participant reaches age 62.

Participants who were age 50 or had 15 years of service as of April 30, 2003 shall be eligible for 50% of their final average monthly compensation reduced by 1/20th for each year of benefit service at normal retirement less than 20 years.

Participants who were not age 50 or had 15 years of service as of April 30, 2003 and former participants who began receiving benefits prior to May 1, 2003 shall be eligible for 40% of their final average monthly compensation reduced 1/20th for each year of benefit service at normal retirement less than 20 years plus a temporary benefit of 10% of final average monthly compensation reduced 1/20th for each year of benefit service at normal retirement less than 20 years. This temporary benefit shall be payable only until the participant reaches age 62.

Final average compensation is defined as the participant's highest average five consecutive completed plan years' earnings prior to retirement or termination. Years of benefit service is defined as the number of full years of continuous service from the date of hire. The monthly normal retirement pension is payable for the life of the participant with 120 payments guaranteed

2. Annual Pension Cost

Current year annual pension costs for the Plan are shown in the trend information. Annual required contributions were not made by the Plan. There was no net pension calculation as of the latest actuarial valuation, May 1, 2006.

3. Trend Information

Historical trend information about the Plan is presented herewith as required supplementary information. This information is intended to help users assess the Plan's funding

CITY OF ROCK HILL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE D - EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Plan for the Uniformed Employees of the City of Rock Hill (Continued)

3. Trend Information (Continued)

status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparison with other Public Employee Retirement Systems (PERS). Actuarial valuations were not performed for 2005 and 2004.

<u>For The Plan Years Ended May 1</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2006	\$236,769	- %	N/A
2003	129,450	-	N/A

Schedule of funding progress follows:

<u>For The Actuarial Valuation Years Ended May 1</u>	<u>Actuarial Value Of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>
2006	\$1,352,194	\$3,112,009	(1,759,815)
2003	1,433,939	1,818,006	(384,067)

<u>For The Actuarial Valuation Years Ended May 1</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded AAL As A Percentage Of Covered Payroll</u>
2006	43.4%	\$569,486	309.0%
2003	78.9	888,400	43.2

Additional information as of the latest actuarial valuation follows:

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Plan for the Uniformed Employees of the City of Rock Hill (Continued)

3. Trend Information (Continued)

Valuation date	May 1, 2006
Actuarial cost method	Aggregate cost method
Amortization method	Not Applicable - Aggregate cost method
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	5.5%
Projected salary increase	4.5%
Pre-retirement mortality	1983 Group Annuity Mortality Table

NOTE E - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City is a member of the St. Louis Area Insurance Trust (SLAIT), which is a not-for-profit, self-insurance risk pool formed by various St. Louis County municipalities to cover worker's compensation and general liability matters. The purpose of this trust is to distribute the cost of self-insurance over similar entities. In addition to insurance protection, the program provides risk management services with emphasis in loss control, claims administration, and management information services. SLAIT is fully funded by its member participants and employs an outside service company to process all claims.

The trust requires an annual premium payment by members to cover estimated claims payable and reserves for claims. The members of the trust have no legal interest in the assets, liabilities, or fund balances of the insurance trust. However, the City is contingently liable to fund its pro rata share if any deficit incurred by the trust should the trust cease operation at some future date.

NOTE F - COMMITMENTS AND CONTINGENCIES

The City receives various grants and state funding for specific purposes that are subject to review and audit. These reviews and audits could lead to requests for reimbursement or to withholding of future funding for expenditures disallowed under or other noncompliance with the terms of the grants and funding. The City is not aware of any noncompliance with federal or state provisions that might require the City to provide reimbursement.

All Missouri entities which have collected confiscation funds may be required to remit part or all of these funds to other governmental entities. There is no information presently available to project the impact, if any, on the City's financial position.

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT

Long-term debt consists of the following:

General Obligation Bonds

	March 31 2007
\$3,000,000 General Obligation Bonds, Series 2002, due in annual installments through March 1, 2022, interest payable at 3% to 4.875%.	<u>\$2,450,000</u>

Debt service requirements for the bonds are as follows:

For The Years Ended March 31	General Obligation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 120,000	110,690	230,690
2009	125,000	106,310	231,310
2010	130,000	101,498	231,498
2011	135,000	96,298	231,298
2012	140,000	90,830	230,830
2013 - 2017	800,000	357,390	1,157,390
2018 - 2022	<u>1,000,000</u>	<u>150,989</u>	<u>1,150,989</u>
	<u>\$2,450,000</u>	<u>1,014,005</u>	<u>3,464,005</u>

Tax Increment Revenue Bonds

The City has tax increment revenue bonds which are special limited obligations of the City, payable solely from payments in lieu of taxes attributable to the increase in assessed value of real property, incremental increases in economic activity taxes in the project area, and monies on deposit in the Debt Service Reserve Fund. The bonds do not constitute a general obligation of the City. Bonds outstanding are as follows:

	Tax Increment Revenue Bonds				
	<u>Date Issued</u>	<u>Date Of Maturity</u>	<u>Date Of Annual Payment</u>	<u>Original Amount</u>	<u>Balance March 31 2007</u>
McKnight Crossing	7-28-1999	12-1-2019	December 1	\$1,000,000	\$140,000
McKnight Crossing	7-28-1999	12-1-2019	December 1	373,200	<u>373,200</u>
					<u>\$513,200</u>

CITY OF ROCK HILL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT (Continued)

Tax Increment Financing Notes

During the years ending March 31, 2007 and 2006, the City issued Tax Increment Financing Notes Series 2006 totaling \$10,064,494 for the purpose of paying a portion of the redevelopment project costs in connection with the "NW/SW Redevelopment Project". The tax increment financing notes are considered a special limited obligation of the City. The City will make principal and interest payments on the tax increment financing notes based on the incremental payments in lieu of taxes (PILOTS) and economic activity tax (EATS).

Since annual repayment amounts for the tax increment financing notes will be determined based on future revenues, a schedule of debt service requirements to maturity cannot be established. The notes may be issued to an aggregate of \$11,600,000.

Certificates of Participation

In October 2004, the City issued \$150,000 of certificates of participation for the purpose of providing funds to pay the costs of acquiring and improving certain real property within the City. The certificates of participation mature September 2008 and bear interest at 5.1%.

In October 2003, the City issued \$326,750 of certificates of participation for the purpose of providing funds to reimburse the City for the costs of acquiring and improving certain real property within the City. The certificates of participation mature September 2008 and bear interest at 5.1%.

The following is a summary of the changes in the City's long-term debt:

	<u>For The Year Ended March 31, 2007</u>			<u>Amounts</u>	
	<u>Balance</u>			<u>Balance</u>	<u>Due</u>
	<u>March 31</u>	<u>Additions</u>	<u>Reductions</u>	<u>March 31</u>	<u>Within</u>
	<u>2006</u>			<u>2007</u>	<u>One Year</u>
General obligation bonds	\$ 2,565,000	-	115,000	2,450,000	120,000
Tax increment revenue bonds	683,200	-	170,000	513,200	-
Tax increment revenue note	6,435,596	3,628,898	-	10,064,494	-
Certificates of participation	476,750	-	-	476,750	-
Compensated absences	64,155	69,300	7,756	125,699	12,570
	<u>\$10,224,701</u>	<u>3,698,198</u>	<u>292,756</u>	<u>13,630,143</u>	<u>132,570</u>

The general obligation bonds are to be liquidated by the Street Bond Special Revenue Fund. The tax increment revenue bonds are to be liquidated by the Special Allocation Revenue Fund. The tax increment financing notes are to be liquidated by the NW/SW Redevelopment Fund. The certificates of participation and compensated absences are to be liquidated by the General Fund.

CITY OF ROCK HILL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE H - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the normal course of business, the City has numerous transactions between funds. The following is a reconciliation of internal receivables and payables:

	<u>March 31, 2007</u>	
	<u>Receivable Fund</u>	<u>Payable Fund</u>
Special Allocation Revenue Fund	\$1,128	-
Tax Increment Revenue Fund	-	1,128

Transfers may be used to move certain revenues to finance various programs that the City must account for in other funds in accordance with budgetary or other authorizations, including amounts provided as subsidies or matching funds for various grant programs. Individual interfund transactions are as follows:

	<u>Transfers In</u>			
	<u>Debt Service Reserve Fund</u>	<u>Special Allocation Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Transfers out:				
Tax Increment Revenue Fund	<u>\$733</u>	<u>296,422</u>	<u>14,139</u>	<u>311,294</u>

NOTE I - RESTRICTED NET ASSETS

The government-wide statement of net assets reports \$364,992 of restricted net assets, all of which is restricted by enabling legislation.

NOTE J - PRIOR PERIOD ADJUSTMENT

For the year ended March 31, 2007, the City has elected a change in accounting principle from modified cash basis to modified accrual basis for their fund financial statements. The effect of this change was retroactively applied to March 31, 2006. Restatement of fund balances within the fund financial statements is as follows:

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE J - PRIOR PERIOD ADJUSTMENT (Continued)

	<u>General Fund</u>	<u>Tax Increment Revenue Fund</u>	<u>Sewer Lateral Fund</u>	<u>Street Bond Special Revenue Fund</u>
Fund balances, March 31, 2006, as previously reported	(\$ 32,190)	158,200	57,239	28,193
Restatement to modified accrual basis:				
Accounts receivable	366,198	5,638	1,962	35,325
Accounts payable	(40,740)	-	(614)	-
Accrued payroll	(16,218)	-	-	-
Deferred revenue	<u>(28,505)</u>	<u>-</u>	<u>-</u>	<u>(26,442)</u>
 Fund Balances, March 31, 2006, As Restated	 <u>\$248,545</u>	 <u>163,838</u>	 <u>58,587</u>	 <u>37,076</u>

For the year ended March 31, 2007, the City has elected a change in accounting principle from modified cash basis to accrual basis for their government-wide financial statements. The effect of this change was retroactively applied to March 31, 2006. Restatement of net assets (deficiency) within the government-wide financial statements is as follows:

Net assets (deficiency), March 31, 2006, as previously reported	\$ (79,388)
Restatement for tax increment financing notes issued	<u>(6,435,596)</u>
Net Assets (Deficiency), March 31, 2006, As Restated	(6,514,984)
 Restatement to accrual basis:	
Accounts receivable	409,123
Accounts payable	(41,354)
Accrued payroll	(16,218)
Compensated absences	(64,155)
Interest payable	<u>(9,550)</u>
 Net Assets (Deficiency), March 31, 2006, As Restated	 <u>(\$6,237,138)</u>

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Property Taxes	<u>\$ 230,100</u>	<u>230,100</u>	<u>251,079</u>	<u>20,979</u>
Gross Receipts Taxes				
Cable television	47,600	47,600	44,041	(3,559)
Electric	232,400	232,400	220,615	(11,785)
Gas	245,000	245,000	228,659	(16,341)
Telephone	87,900	87,900	131,488	43,588
Water	42,200	42,200	39,569	(2,631)
Total Gross Receipts Taxes	<u>655,100</u>	<u>655,100</u>	<u>664,372</u>	<u>9,272</u>
Licenses and Permits				
Auto stickers	13,650	13,650	13,213	(437)
Building permits	24,550	24,550	15,223	(9,327)
Liquor	7,150	7,150	6,743	(407)
Merchants' licenses	166,800	166,800	182,277	15,477
Total Licenses And Permits	<u>212,150</u>	<u>212,150</u>	<u>217,456</u>	<u>5,306</u>
Intergovernmental				
Cigarette tax	22,700	22,700	22,705	5
Gasoline tax	140,450	140,450	137,306	(3,144)
Motor vehicle tax	56,900	56,900	66,847	9,947
Road and bridge	85,700	85,700	85,562	(138)
Total Intergovernmental	<u>305,750</u>	<u>305,750</u>	<u>312,420</u>	<u>6,670</u>
Sales Tax	<u>1,742,300</u>	<u>1,742,300</u>	<u>1,912,371</u>	<u>170,071</u>
Fines and Court Costs	<u>485,400</u>	<u>485,400</u>	<u>434,629</u>	<u>(50,771)</u>
Investment Income	<u>1,500</u>	<u>1,500</u>	<u>24,831</u>	<u>23,331</u>
Miscellaneous				
Miscellaneous	2,000	2,000	129,546	127,546
Parks and recreation	34,300	132,300	136,523	4,223
Rental income	56,400	56,400	27,187	(29,213)
Total Miscellaneous	<u>92,700</u>	<u>190,700</u>	<u>293,256</u>	<u>102,556</u>
Total Revenues	<u>3,725,000</u>	<u>3,823,000</u>	<u>4,110,414</u>	<u>287,414</u>

(Continued)

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES				
Administration				
Personnel services:				
Salaries	251,095	214,095	210,976	(3,119)
Employee health insurance	34,298	34,298	32,174	(2,124)
Employee life insurance	2,314	2,314	2,299	(15)
Employee pension	12,165	15,165	15,055	(110)
Fitness program	240	240	80	(160)
Payroll taxes	16,449	16,449	15,829	(620)
Unemployment	6,000	32,500	32,350	(150)
Operating expenses:				
Board and mayor expenditures	1,000	1,600	1,140	(460)
Codification	500	500	-	(500)
Communications	14,700	7,900	4,371	(3,529)
Dues	4,300	4,300	3,661	(639)
Election	2,000	2,500	2,448	(52)
Electric	-	-	516	516
Insurance and bonds	17,537	8,637	8,605	(32)
Miscellaneous	2,659	17,459	21,551	4,092
Moving	50,000	-	-	-
Rent	70,000	76,300	73,727	(2,573)
Planning services	-	-	2,240	2,240
Postage	4,000	4,100	5,005	905
Supplies and materials	5,596	5,596	3,955	(1,641)
Telephone	10,596	10,696	10,140	(556)
Training and education	4,400	1,400	1,201	(199)
Volunteer	401	401	153	(248)
Contracted services:				
Audit	12,000	21,100	21,056	(44)
Clerical	-	28,000	21,891	(6,109)
Legal	70,000	64,500	54,219	(10,281)
Other	36,780	84,780	71,096	(13,684)
Capital outlay:				
Equipment	29,220	29,220	28,308	(912)
Debt service:				
Interest	-	41,180	40,536	(644)
Total Administration	<u>658,250</u>	<u>725,230</u>	<u>684,582</u>	<u>(40,648)</u>
 Police Department				
Personnel services:				
Salaries	495,630	534,930	535,005	75
Clothing allowance	6,550	6,550	6,291	(259)

(Continued)

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES (Continued)				
Police Department (Continued)				
Employee health insurance	63,562	63,562	63,551	(11)
Employee life insurance	6,518	6,518	5,286	(1,232)
Employee pension	8,426	20,226	20,196	(30)
Fitness program	1,676	1,676	1,217	(459)
Payroll taxes	37,301	39,801	39,659	(142)
Contracted services:				
Consulting	1,661	1,661	6,334	4,673
Dispatching	172,651	170,151	170,136	(15)
Rejis computer expense	27,317	24,817	23,397	(1,420)
Vehicle operation	34,100	30,100	26,212	(3,888)
Jail expenses	2,750	3,350	3,301	(49)
Operating expenses:				
Dues	725	725	500	(225)
Insurance and bonds	46,496	31,296	31,191	(105)
Miscellaneous	3,394	3,394	1,785	(1,609)
Repairs and maintenance	448	448	110	(338)
Supplies and materials	2,853	2,853	2,490	(363)
Telephone	8,136	8,136	7,050	(1,086)
Total Police Department	<u>920,194</u>	<u>950,194</u>	<u>943,711</u>	<u>(6,483)</u>
Fire Department				
Personnel services:				
Salaries	471,018	474,018	472,031	(1,987)
Clothing allowance	6,512	6,512	4,942	(1,570)
Fitness program	2,400	2,600	2,583	(17)
Employee health insurance	72,079	69,579	69,236	(343)
Employee life insurance	5,860	5,860	5,829	(31)
Employee pension	8,007	17,107	24,345	7,238
Payroll taxes	35,224	36,724	36,600	(124)
Operating expenses:				
Dues	518	1,018	893	(125)
EMS supplies	1,494	1,694	1,619	(75)
Fire prevention	1,963	1,263	788	(475)
Insurance and bonds	38,859	25,859	25,713	(146)
Miscellaneous	1,321	2,221	2,132	(89)
Protective clothing	4,264	4,264	2,696	(1,568)
Repairs and maintenance	2,682	2,682	1,764	(918)

(Continued)

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES (Continued)				
Fire Department (Continued)				
Supplies and materials	1,019	1,219	871	(348)
Telephone	4,716	5,216	5,066	(150)
Training	4,222	4,222	4,672	450
Vehicle operation	13,682	15,982	12,817	(3,165)
Capital outlay:				
Department improvements	1,200	1,600	1,551	(49)
Fire fighting capital improvements	13,560	10,960	10,805	(155)
Total Fire Department	<u>690,600</u>	<u>690,600</u>	<u>686,953</u>	<u>(3,647)</u>
 Public Works				
Personnel services:				
Salaries	243,675	223,575	209,604	(13,971)
Clothing allowance	2,960	8,660	7,617	(1,043)
Employee health insurance	32,760	32,760	32,000	(760)
Employee life insurance	3,812	3,812	3,763	(49)
Employee pension	4,142	11,242	11,166	(76)
Fitness program	1,200	1,200	220	(980)
Payroll taxes	18,452	18,452	15,505	(2,947)
Operating expenses:				
Beautification	-	-	3,354	3,354
Disaster response	-	-	11,376	11,376
Equipment rental	2,500	2,500	379	(2,121)
Insurance and bonds	20,103	13,903	13,802	(101)
Miscellaneous	238	2,438	(1,408)	(3,846)
Mosquito fogging	1,500	1,500	927	(573)
Repairs and maintenance	5,760	9,060	8,672	(388)
Rock and asphalt	20,000	20,000	9,287	(10,713)
Salt	20,445	20,445	9,361	(11,084)
Street lighting	38,000	38,000	33,524	(4,476)
Street signs	1,600	1,600	968	(632)
Street sweeping	1,200	1,200	-	(1,200)
Supplies and materials	8,485	8,685	4,956	(3,729)
Telephone	4,982	5,482	5,434	(48)
Traffic paint	728	728	-	(728)
Trash removal	2,500	2,500	844	(1,656)
Tree removal	4,000	4,200	4,150	(50)
Training	260	260	15	(245)
Utilities	28,000	28,000	25,874	(2,126)
Vehicle operation	15,668	15,668	12,426	(3,242)
Weed killer	630	630	-	(630)

(Continued)

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES (Continued)				
Public Works (Continued)				
Capital outlay:				
Street and sidewalk repairs	109,800	116,900	107,304	(9,596)
Total Public Works	<u>593,400</u>	<u>593,400</u>	<u>531,120</u>	<u>(62,280)</u>
Parks and Recreation				
Personnel services:				
Salaries	101,277	101,277	88,555	(12,722)
Employee health insurance	3,463	3,463	3,457	(6)
Employee life insurance	829	829	812	(17)
Employee pension	1,050	3,850	3,802	(48)
Payroll taxes	7,748	7,748	6,792	(956)
Operating expenses:				
Day camp	2,800	2,800	2,536	(264)
Fall festival	5,000	5,000	4,400	(600)
Insurance and bonds	8,679	5,879	5,743	(136)
Miscellaneous	899	899	817	(82)
Preschool	1,450	1,450	472	(978)
Special programs	4,925	4,925	1,515	(3,410)
Sports and recreation programs	2,655	2,655	676	(1,979)
Supplies and materials	1,725	1,725	1,056	(669)
Utilities	3,800	3,800	2,253	(1,547)
Total Parks And Recreation	<u>146,300</u>	<u>146,300</u>	<u>122,886</u>	<u>(23,414)</u>
Housing Department				
Personnel services:				
Salaries	30,000	36,100	35,914	(186)
Employee health insurance	-	-	1,199	1,199
Employee pension	-	-	211	211
Payroll taxes	2,278	3,378	3,275	(103)
Operating expenses:				
Building demolition	7,270	270	250	(20)
Community improvement	1,000	-	-	-
Consulting fees	7,900	12,100	12,030	(70)
Dues and subscriptions	270	270	-	(270)
Insurance and bonds	2,457	1,757	1,626	(131)
Miscellaneous	83	883	808	(75)
Nuisance fees	3,000	1,000	845	(155)
Office supplies	590	190	-	(190)
Telephone	274	574	360	(214)
Training	150	150	-	(150)

(Continued)

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES (Continued)				
Housing Department (Continued)				
Utilities	-	-	23	23
Vehicle operation	578	178	105	(73)
Total Housing Department	<u>55,850</u>	<u>56,850</u>	<u>56,646</u>	<u>(204)</u>
Municipal Court				
Personnel services:				
Salaries	101,324	91,024	87,852	(3,172)
Clothing allowance	500	500	-	(500)
Employee health insurance	12,490	15,290	15,217	(73)
Employee life insurance	1,134	1,134	947	(187)
Employee pension	1,295	3,495	3,487	(8)
Fitness program	-	-	55	55
Payroll taxes	7,629	7,629	6,516	(1,113)
Operating expenses:				
Computer expense	9,538	17,238	15,828	(1,410)
Contracted services	-	-	1,368	1,368
Insurance and bonds	8,118	5,518	5,372	(146)
Miscellaneous	1,989	1,989	1,490	(499)
Supplies and materials	3,500	3,500	2,931	(569)
Telephone	1,427	1,427	1,365	(62)
Training	3,106	3,106	2,423	(683)
Capital outlay:				
Department improvements	1,500	1,700	1,683	(17)
Total Municipal Court	<u>153,550</u>	<u>153,550</u>	<u>146,534</u>	<u>(7,016)</u>
Total Expenditures	<u>3,218,144</u>	<u>3,316,124</u>	<u>3,172,432</u>	<u>(143,692)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 506,856</u>	<u>506,876</u>	937,982	<u>431,106</u>
FUND BALANCE, APRIL 1			<u>248,545</u>	
FUND BALANCE, MARCH 31			<u>\$ 1,186,527</u>	

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data:

- a. Formal budgetary integration is employed as a management control device during the year. This budget is adopted on a basis consistent with the City's basis of accounting, described previously.
- b. Unused appropriations lapse at the end of the year.
- c. Budget amounts may include budget amendments that were made during the year, if any.
- d. A budget is only adopted for the General Fund.

OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF ROCK HILL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2007

	Special Revenue Funds				Debt Service Funds		Total
	Tax Increment Revenue Fund	Sewer Lateral Fund	Police Training Fund	Special Allocation Revenue Fund	Debt Service Reserve Fund	Debt Service Fund	
ASSETS							
Cash and investments	\$ -	54,767	7,464	125,830	92,793	25	280,879
Receivables:							
Property taxes	6,038	1,386	-	-	-	-	7,424
Due from other funds	-	-	-	1,128	-	-	1,128
Total Assets	<u>\$ 6,038</u>	<u>56,153</u>	<u>7,464</u>	<u>126,958</u>	<u>92,793</u>	<u>25</u>	<u>289,431</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Due to other funds	<u>\$ 1,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,128</u>
Fund Balances							
Reserved for debt service	-	-	-	-	92,793	25	92,818
Unreserved	<u>4,910</u>	<u>56,153</u>	<u>7,464</u>	<u>126,958</u>	<u>-</u>	<u>-</u>	<u>195,485</u>
Total Fund Balances	<u>4,910</u>	<u>56,153</u>	<u>7,464</u>	<u>126,958</u>	<u>92,793</u>	<u>25</u>	<u>288,303</u>
Total Liabilities And Fund Balances	<u>\$ 6,038</u>	<u>56,153</u>	<u>7,464</u>	<u>126,958</u>	<u>92,793</u>	<u>25</u>	<u>289,431</u>

CITY OF ROCK HILL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	Special Revenue Funds			Debt Service Funds			Total
	Tax Increment Revenue Fund	Sewer Lateral Fund	Police Training Fund	Special Allocation Revenue Fund	Debt Service Reserve Fund	Debt Service Fund	Nonmajor Governmental Funds
REVENUES							
Property taxes	\$ 106,057	-	-	-	-	-	106,057
Sales taxes	46,226	-	-	-	-	-	46,226
Investment income	83	198	-	258	3,545	72	4,156
Miscellaneous	-	54,060	4,614	-	-	-	58,674
Total Revenues	152,366	54,258	4,614	258	3,545	72	215,113
EXPENDITURES							
Administration	-	-	5,774	-	-	-	5,774
Capital outlay	-	56,692	-	-	-	-	56,692
Debt service:							
Principal	-	-	-	170,000	-	-	170,000
Interest	-	-	-	-	-	14,219	14,219
Total Expenditures	-	56,692	5,774	170,000	-	14,219	246,685
REVENUES OVER (UNDER) EXPENDITURES	152,366	(2,434)	(1,160)	(169,742)	3,545	(14,147)	(31,572)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	296,422	733	14,139	311,294
Transfers out	(311,294)	-	-	-	-	-	(311,294)
Total Other Financing Sources (Uses)	(311,294)	-	-	296,422	733	14,139	-
NET CHANGE IN FUND BALANCES	(158,928)	(2,434)	(1,160)	126,680	4,278	(8)	(31,572)
FUND BALANCES, APRIL 1	163,838	58,587	8,624	278	88,515	33	319,875
FUND BALANCES, MARCH 31	\$ 4,910	56,153	7,464	126,958	92,793	25	288,303

CITY OF ROCK HILL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Balance</u> <u>March 31</u> <u>2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31</u> <u>2007</u>
ASSET FORFEITURE				
ASSETS				
Cash	<u>\$ 9,497</u>	<u> 1,051</u>	<u> 6,030</u>	<u> 4,518</u>
LIABILITIES				
Due to others	<u>\$ 9,497</u>	<u> 1,051</u>	<u> 6,030</u>	<u> 4,518</u>

COMPLIANCE AND INTERNAL CONTROL SECTION



Hochschild, Bloom & Company LLP

Certified Public Accountants
Consultants and Advisors

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

August 29, 2007

Honorable Mayor and Members of the Board of Aldermen
CITY OF ROCK HILL, MISSOURI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **CITY OF ROCK HILL, MISSOURI** (the City) as of and for the year ended March 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 29, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated August 29, 2007.

This report is intended solely for the information and use of management and all applicable regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hochstetler, Bloom & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS