
CITY OF ROCK HILL, MISSOURI

FINANCIAL REPORT
(Audited)

Year Ended March 31, 2005

CITY OF ROCK HILL, MISSOURI
FINANCIAL REPORT

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

INDEPENDENT AUDITORS' REPORT

January 19, 2006

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, 2005, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A-3, the City prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the governmental activities, each major fund, and the aggregate remaining fund information as of March 31, 2005, and the changes in financial position for the year then ended, on the basis of accounting described in Note A-3.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2005.

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 the Governmental Accounting Standards Board. 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, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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, 2005

This section of the City of Rock Hill's (the City) financial report presents an easily readable analysis of the City's financial activities based on currently known facts, decisions, and conditions. For a comprehensive understanding of the financial statements, please review the City's financial statements, including the footnotes that follow the 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 (\$1,226,517). The City has unrestricted net assets of (\$250,972).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$655,010.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$156,188.

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 comprise 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's finances, 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 - modified cash basis 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 - modified cash basis presents information showing how the City's net assets changed during the most recent fiscal year.

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 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 administration, public works, parks and recreation, housing department, facilities maintenance, police department, fire department, and municipal court. The City does not have any business-type activities.

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2005

The City has elected to utilize a modified cash basis of accounting as explained in Note A-3 of the notes to financial statements.

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. It should be noted that the City does not have any proprietary 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 financial statements, the governmental fund financial statements utilize a current financial resources measurement focus as applied to the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. 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 fund balance sheet - modified cash basis and the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and the government-wide governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund, Street Bond Special Revenue Fund, Special Allocation Revenue Fund, and Debt Service Reserve Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation called "other governmental funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplemental information section in this report.

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

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2005

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. 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. The fiduciary fund financial statement can be found on page 16 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 starting on page 17 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 31 through 38 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 40 through 43 of this report.

Financial Analysis of the City as a Whole

This is the first year that the City has presented its financial statements under the new 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*. Because this reporting model significantly changes both the recording and presentation of financial data, the City has not restated prior fiscal years for the purpose of providing comparative information for the MD&A. In future years when prior year information is available, a comparative analysis of government-wide data will be included in this report.

Net Assets

The City's combined net assets were (\$1,226,517).

The condensed statement of net assets for governmental activities was as follows:

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2005

March 31
2005

ASSETS

Cash and investments	\$ 744,544
Capital assets, net	<u>5,893,423</u>
Total Assets	<u>6,637,967</u>

LIABILITIES

Other liabilities	89,534
Long-term liabilities	<u>7,774,950</u>
Total Liabilities	<u>7,864,484</u>

NET ASSETS (DEFICIENCY)

Invested in capital assets, net of related debt	(1,063,327)
Restricted	87,782
Unrestricted (deficit)	<u>(250,972)</u>
Total Net Assets (Deficiency)	(<u>\$1,226,517</u>)

Governmental activities

Governmental activities decreased the City's net assets by \$95,043. Key elements of this are as follows:

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2005

**For The
Year Ended
March 31
2005**

REVENUES

Program revenues:

Charges for services	\$ 503,904
Federal and state grants	312,802

General revenues:

Taxes	3,269,430
Licenses	211,971
Investment income	20,740
Miscellaneous	83,800
Sale of capital assets	<u>100,000</u>
Total Revenues	<u>4,502,647</u>

EXPENSES

Administration	1,124,631
Police department	1,237,179
Facilities maintenance	170,883
Fire department	859,402
Public works	642,262
Parks and recreation	157,600
Housing department	68,321
Municipal court	160,568
Interest on long-term debt	<u>176,844</u>
Total Expenses	<u>4,597,690</u>

CHANGE IN NET ASSETS	(95,043)
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NET ASSETS (DEFICIENCY), APRIL 1	(1,131,474)
-----------------------------------------	-------------

NET ASSETS (DEFICIENCY), MARCH 31	(\$1,226,517)
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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 inflows and balances of available expendable 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, 2005**

At March 31, 2005 the total fund balance was \$655,010.

The fund balance in the City's General Fund decreased by \$344,863 or 69% from the prior year fund balance. The change of the current year's fund balance is mainly due to:

- The decrease was mainly due to continued economic development expenditures.

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

- The Street Bond Special Revenue Fund decreased by \$1,073,371 or 85%. This decrease was a result of the continued expenditure of the general obligation bond proceeds for street improvements.
- The Special Allocation Revenue Fund increased by \$10,264 or 8% due to the transfer of excess tax increment revenue funds.
- The Debt Service Reserve Fund increased by \$361 due to investment income.

Fiduciary Funds

The City maintains Agency Funds for monies received and held for the benefit of others for the following purposes:

- Collection and release of monies for asset forfeiture.
- Collection and release of monies for narcotics officers to ensure capture of offenders.

At March 31, 2005, cash in the Agency Funds equaled \$9,497 due to normal activity.

Capital Assets

The City has invested \$6,866,160 at March 31, 2005 in a broad range of capital assets, including park facilities, roads, buildings, machinery and equipment, and automobiles and trucks. This amount represents a net increase for the current fiscal year (including additions and deductions) of \$1,266,048. The City's capital assets, net of accumulated depreciation, consisted of:

	<u>March 31</u> <u>2005</u>
Land	\$4,317,384
Buildings and improvements	370,079
Equipment	29,820
Vehicles	65,424
Infrastructure	<u>1,110,716</u>
Total Capital Assets, Net Of Accumulated Depreciation	<u>\$5,893,423</u>

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2005

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

Long-term Debt

The City had government-wide debt outstanding for March 31, 2005 of \$7,774,950 compared to \$7,844,950 at March 31, 2004.

The following is a summary of long-term debt:

	<u>March 31</u> <u>2005</u>
General obligation bonds	\$2,680,000
Tax increment revenue bonds	818,200
Certificates of participation	<u>4,276,750</u>
	<u>\$7,774,950</u>

Additional information on the City's long-term debt can be found in Note G in the notes to the financial statements.

Significant Variances between Budgets and Actual Expenditures

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

- Public works department was \$10,024 over budget.
- Police department was \$19,295 over budget
- Administration department was \$749,292 over budget mainly due to continued economic development costs.

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 - MODIFIED CASH BASIS
MARCH 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 744,544
Capital assets:	
Land	4,317,384
Other capital assets, net of accumulated depreciation	<u>1,576,039</u>
Total Assets	<u>6,637,967</u>
 LIABILITIES	
Due to others	7,699
Plan deposits	81,835
Noncurrent liabilities:	
Due within one year	4,391,750
Due in more than one year	<u>3,383,200</u>
Total Liabilities	<u>7,864,484</u>
 NET ASSETS (DEFICIENCY)	
Invested in capital assets, net of related debt	(1,063,327)
Restricted for debt service	87,782
Unrestricted (deficit)	<u>(250,972)</u>
 Total Net Assets (Deficiency)	 <u><u>\$ (1,226,517)</u></u>

CITY OF ROCK HILL, MISSOURI
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenues (Expenses) And Changes In Net Assets
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 1,124,631	62,695	-	-	(1,061,936)
Police department	1,237,179	352,518	6,363	-	(878,298)
Facilities maintenance	170,883	-	-	-	(170,883)
Fire department	859,402	-	-	-	(859,402)
Public works	642,262	55,551	271,841	-	(314,870)
Parks and recreation	157,600	33,140	10,000	24,598	(89,862)
Housing department	68,321	-	-	-	(68,321)
Municipal court	160,568	-	-	-	(160,568)
Interest on long-term debt	176,844	-	-	-	(176,844)
Total Governmental Activities	<u>\$ 4,597,690</u>	<u>503,904</u>	<u>288,204</u>	<u>24,598</u>	<u>(3,780,984)</u>
General Revenues					
Taxes:					
Property tax					617,488
Sales tax					2,068,358
Utility tax					583,584
Licenses					211,971
Investment income					20,740
Miscellaneous					83,800
Gain on sale of capital assets					100,000
Total General Revenues					<u>3,685,941</u>
CHANGE IN NET ASSETS					(95,043)
NET ASSETS (DEFICIENCY), APRIL 1					<u>(1,131,474)</u>
NET ASSETS (DEFICIENCY), MARCH 31					<u>\$ (1,226,517)</u>

See notes to financial statements

CITY OF ROCK HILL, MISSOURI
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
MARCH 31, 2005

	<u>General Fund</u>	<u>Street Bond Special Revenue Fund</u>	<u>Special Allocation Revenue Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
ASSETS						
Cash and investments	\$ 232,156	189,585	136,660	87,762	98,381	744,544
Due from other funds	<u>13,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,566</u>
Total Assets	<u>\$ 245,722</u>	<u>189,585</u>	<u>136,660</u>	<u>87,762</u>	<u>98,381</u>	<u>758,110</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to others	\$ 7,699	-	-	-	-	7,699
Due to other funds	-	-	-	-	13,566	13,566
Plan deposits	<u>81,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,835</u>
Total Liabilities	<u>89,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,566</u>	<u>103,100</u>
Fund Balances						
Reserved for debt service	-	-	-	87,762	20	87,782
Unreserved	<u>156,188</u>	<u>189,585</u>	<u>136,660</u>	<u>-</u>	<u>84,795</u>	<u>567,228</u>
Total Fund Balances	<u>156,188</u>	<u>189,585</u>	<u>136,660</u>	<u>87,762</u>	<u>84,815</u>	<u>655,010</u>
Total Liabilities And Fund Balances	<u>\$ 245,722</u>	<u>189,585</u>	<u>136,660</u>	<u>87,762</u>	<u>98,381</u>	<u>758,110</u>

CITY OF ROCK HILL, MISSOURI
RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS -
MODIFIED CASH BASIS
MARCH 31, 2005

Total Fund Balances - Total Governmental Funds	\$ 655,010
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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 \$6,866,160 and the accumulated depreciation is \$972,737.	5,893,423
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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:

Bonds payable	(3,498,200)
Certificates of participation payable	<u>(4,276,750)</u>

Total Net Assets (Deficiency) Of Governmental Activities	<u><u>\$ (1,226,517)</u></u>
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CITY OF ROCK HILL, MISSOURI
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	General Fund	Street Bond Special Revenue Fund	Special Allocation Revenue Fund	Debt Service Reserve Fund	Other Govern- mental Funds	Total Govern- mental Funds
REVENUES						
Property taxes	\$ 240,964	282,914	-	-	93,610	617,488
Gross receipts taxes	583,584	-	-	-	-	583,584
Licenses and permits	211,971	-	-	-	-	211,971
Intergovernmental	271,841	-	-	-	-	271,841
Sales tax	2,015,217	-	-	-	53,141	2,068,358
Fines and court costs	352,518	-	-	-	-	352,518
Investment income	4,934	14,377	455	883	91	20,740
Miscellaneous	217,216	-	-	-	58,931	276,147
Total Revenues	<u>3,898,245</u>	<u>297,291</u>	<u>455</u>	<u>883</u>	<u>205,773</u>	<u>4,402,647</u>
EXPENDITURES						
Current:						
Administration	1,088,434	-	2,769	-	6,873	1,098,076
Police department	1,216,820	-	-	-	-	1,216,820
Facilities maintenance	146,724	-	-	-	-	146,724
Fire department	849,830	-	-	-	-	849,830
Public works	471,827	-	-	-	-	471,827
Parks and recreation	154,457	-	-	-	-	154,457
Housing department	68,321	-	-	-	-	68,321
Municipal court	160,568	-	-	-	-	160,568
Capital outlay	311,999	1,139,196	-	-	69,076	1,520,271
Debt service:						
Principal	-	110,000	110,000	-	-	220,000
Interest	24,128	121,466	-	-	31,250	176,844
Total Expenditures	<u>4,493,108</u>	<u>1,370,662</u>	<u>112,769</u>	<u>-</u>	<u>107,199</u>	<u>6,083,738</u>
REVENUES OVER (UNDER)						
EXPENDITURES	<u>(594,863)</u>	<u>(1,073,371)</u>	<u>(112,314)</u>	<u>883</u>	<u>98,574</u>	<u>(1,681,091)</u>
OTHER FINANCING						
SOURCES (USES)						
Sale of capital assets	100,000	-	-	-	-	100,000
Transfers in	-	-	122,578	-	28,305	150,883
Transfers out	-	-	-	(522)	(150,361)	(150,883)
Certificates of participation issued	150,000	-	-	-	-	150,000
Total Other Financing						
Sources (Uses)	<u>250,000</u>	<u>-</u>	<u>122,578</u>	<u>(522)</u>	<u>(122,056)</u>	<u>250,000</u>
NET CHANGE IN FUND						
BALANCES	<u>(344,863)</u>	<u>(1,073,371)</u>	<u>10,264</u>	<u>361</u>	<u>(23,482)</u>	<u>(1,431,091)</u>
FUND BALANCES, APRIL 1	<u>501,051</u>	<u>1,262,956</u>	<u>126,396</u>	<u>87,401</u>	<u>108,297</u>	<u>2,086,101</u>
FUND BALANCES, MARCH 31	<u>\$ 156,188</u>	<u>189,585</u>	<u>136,660</u>	<u>87,762</u>	<u>84,815</u>	<u>655,010</u>

See notes to financial statements

CITY OF ROCK HILL, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED MARCH 31, 2005

Net Change In Fund Balances - Governmental Funds \$ (1,431,091)

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 \$1,352,817 exceeded
depreciation (\$86,769) in the current period. 1,266,048

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:

Certificates of participation (150,000)

Repayments:

Bonds payable 220,000 70,000

Change In Net Assets Of Governmental Activities \$ (95,043)

CITY OF ROCK HILL, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS -
AGENCY FUNDS
MARCH 31, 2005

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 9,497</u>
 LIABILITIES	
Due to others	<u>\$ 9,497</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 more significant accounting policies consistently applied by the City in the preparation of the accompanying financial statements are summarized below:

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 - modified cash basis and the statement of activities - modified cash basis) 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 - modified cash basis 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.

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.

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

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide statement of net assets - modified cash basis and the statement of activities - modified cash basis, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

In the fund financial statements, all governmental funds utilize a "current financial resources" measurement focus as applied to the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statement of net assets - modified cash basis, statement of activities - modified cash basis, and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues, and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements.

If the City utilized the basis of accounting recognized as U.S. generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide statements would be presented on the accrual basis of accounting.

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)

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.

Street Bond Special Revenue Fund -- The Street Bond Special Revenue Fund is used to account for the proceeds of the general obligation bonds issued for street improvements and the collection of taxes for debt repayment.

Special Allocation Revenue Fund -- The Special Allocation Revenue Fund is used to account for funds designated for repayment of tax increment financing bonds.

Debt Service Reserve Fund -- The Debt Service Reserve Fund is used to account for funds reserved to meet the debt reserve requirements of the City's general obligation bonds.

Additionally, the City reports the following fund types:

Agency Funds -- Agency Funds are 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 (Asset Forfeiture and Narcotics Funds held).

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.

CITY OF ROCK HILL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Cash and Investments (Continued)

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 financial statements where applicable. 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
Equipment	7 - 25
Vehicles	5 - 7
Infrastructure	40

6. Compensated Absences

Compensated absences have not been accrued by the City using the modified cash basis of accounting. Employees must use all accrued vacation time prior to their next anniversary date.

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 - modified cash basis.

CITY OF ROCK HILL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Long-term Liabilities (Continued)

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

8. 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.

9. 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.

NOTE B - CASH AND INVESTMENTS

1. Bank Deposits

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, 2005, the City's deposits were covered by federal depository insurance and pledged securities.

2. Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, and instrumentalities. The City is also authorized to invest in commercial paper and bankers acceptances as allowed by state law.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end as: 1) insured or registered with securities held by the City or its agent in the City's name, 2) uninsured and unregistered for which the securities are held by the financial institution's trust department or agent in the City's name, or 3) uninsured and unregistered for which the securities are held by the financial institution's trust department, the broker-dealer, but not in the City's name.

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

	March 31, 2005			Carrying Amount/ Fair Value
	Categories			
	<u>1</u>	<u>2</u>	<u>3</u>	
Repurchase agreements	\$ <u>-</u>	<u>78,021</u>	<u>-</u>	78,021
Money market funds				<u>224,442</u>
Total Investments				\$302.463

NOTE C - CAPITAL ASSETS

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

	For The Year Ended March 31, 2005			Balance March 31 2005
	Balance March 31 2004	Additions	Retirements	
Governmental Activities				
Capital assets not being depreciated:				
Land	<u>\$4,167,384</u>	<u>150,000</u>	<u>-</u>	<u>4,317,384</u>
Capital assets being depreciated:				
Buildings and improvements	624,520	26,279	-	650,799
Vehicles	485,631	13,767	-	499,398
Equipment	235,808	23,575	-	259,383
Infrastructure	<u>-</u>	<u>1,139,196</u>	<u>-</u>	<u>1,139,196</u>
Total Capital Assets Being Depreciated	<u>1,345,959</u>	<u>1,202,817</u>	<u>-</u>	<u>2,548,776</u>
Less - Accumulated depreciation for:				
Buildings and improvements	264,566	16,154	-	280,720
Vehicles	458,920	10,658	-	469,578
Equipment	162,482	31,477	-	193,959
Infrastructure	<u>-</u>	<u>28,480</u>	<u>-</u>	<u>28,480</u>
Total Accumulated Depreciation	<u>885,968</u>	<u>86,769</u>	<u>-</u>	<u>972,737</u>
Total Capital Assets Being Depreciated, Net	<u>459,991</u>	<u>1,116,048</u>	<u>-</u>	<u>1,576,039</u>
Governmental Activities Capital Assets, Net	<u>\$4,627,375</u>	<u>1,266,048</u>	<u>-</u>	<u>5,893,423</u>

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 <u>March 31, 2005</u>
Governmental activities:	
Administration	\$ 9,014
Public works	51,575
Parks and recreation	3,123
Fire department	8,248
Police department	<u>14,809</u>
	<u>\$86,769</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 1.4% (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.

3. Annual Pension Cost

For 2005, the City's annual pension cost of \$7,160 was equal to the required and actual contributions. The required contribution was determined as part of the February 28/29,

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - EMPLOYEE RETIREMENT SYSTEMS (Continued)

3. Annual Pension Cost (Continued)

2003 and/or 2004 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 4.2% per year, depending on age, attributable to seniority/merit; d) pre-retirement mortality based on the 1983 Group Annuity Mortality table; 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, 2005 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>
2005	\$ 7,160	100%	\$ -
2004	16,032	100	-
2003	29,925	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>
2004	\$1,086,808	\$646,875	\$439,933
2003	1,101,324	758,023	343,301
2002	1,443,652	992,355	451,297
2001	1,322,240	892,473	429,767

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - EMPLOYEE RETIREMENT SYSTEMS (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
2004	168%	\$563,268	- %
2003	145	698,722	-
2002	145	625,644	-
2001	148	560,979	-

Note: The above assets and actuarial accrued liability 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, 2001 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS' office in Jefferson City.

Group Annuity Plan

The City has a defined benefit pension plan through a group annuity contract with JP Morgan Company covering the policemen and firemen. The latest available actuarial study was performed as of May 1, 2003, which determined that plan assets covered 79% of the present value of benefits earned to date and there was an actuarial deficit of about \$384,000. This study may be obtained from the City.

NOTE E - PARTICIPATION IN A PUBLIC RISK POOL - MIRMA

The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), a state-wide governmental self-insurance pool which provides property, liability, and workers' compensation coverages to its participating members in a single comprehensive multiline package. The various lines of coverage are not available individually and the membership is limited to municipalities and municipally owned utilities. The City's policy covers all real and personal property owned by the City except sewer lines.

MIRMA is funded by annual member assessments calculated at a rate per \$100 of annual payroll which applies to all lines of coverage on a composite basis. These funds are used to pay losses within specific risk retention limits shared equally by all members; purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers; purchase services such as claims administration, loss prevention, and data processing; and pay administrative expenses. Should actual insurance losses exceed MIRMA's estimates, the City could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall operations of the City.

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

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.

NOTE G - LONG-TERM DEBT

Long-term debt consist of the following:

General Obligation Bonds

March 31
2005

\$3,000,000 General Obligation Bonds, Series 2003, due in annual installments through March 1, 2022, interest payable at 3% to 4.875%.

\$2,680,000

Debt service requirements for the bonds are as follows:

<u>For The Years</u> <u>Ended March 31</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 115,000	118,165	233,165
2007	115,000	114,600	229,600
2008	120,000	110,690	230,690
2009	125,000	106,310	231,310
2010	130,000	101,498	231,498
2011 - 2015	735,000	425,898	1,160,898
2016 - 2020	910,000	240,922	1,150,922
2021 - 2025	<u>430,000</u>	<u>31,687</u>	<u>461,687</u>
	<u>\$2,680,000</u>	<u>1,249,770</u>	<u>3,929,770</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 at March 31, 2005 are as follows:

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT (Continued)

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 2005</u>
McKnight Crossing	7-28-1999	12-1-2019	December 1	\$1,000,000	\$445,000
McKnight Crossing	7-28-1999	12-1-2019	December 1	373,200	<u>373,200</u>
					<u>\$818,200</u>

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 March 2005 and bear interest at 5.1%.

In September 2003, the City issued \$3,800,000 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 March 2005 and bear interest at 3.3% to 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 March 2005 and bear interest at 5.1%.

The City plans to sell property in order to make final payment of the debt. Should the City not sell the property, it may cause a delay in payment of the debt on maturity.

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

	<u>For The Year Ended March 31, 2005</u>			<u>Amount</u>	
	<u>Balance March 31 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance March 31 2005</u>	<u>Due Within One Year</u>
General obligation bonds	\$2,790,000	-	110,000	2,680,000	115,000
Tax increment revenue bonds	928,200	-	110,000	818,200	-
Certificates of participation	<u>4,126,750</u>	<u>150,000</u>	<u>-</u>	<u>4,276,750</u>	<u>4,276,750</u>
	<u>\$7,844,950</u>	<u>150,000</u>	<u>220,000</u>	<u>7,774,950</u>	<u>4,391,750</u>

CITY OF ROCK HILL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE H - SUBSEQUENT EVENT

In September 2005, the City sold real property to a developer for \$3,672,583 and used the proceeds to make final payment on outstanding certificates of participation whose maturity had been extended pending sale of the property.

NOTE I - ACCOUNTING CHANGE AND RESTATEMENT OF FUND BALANCE

During fiscal year ended 2005, the City adopted GASB Statement No. 34 (GASB No. 34), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37 (GASB No. 37), *Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38 (GASB No. 38), *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB No. 34 (as amended by GASB No. 37) represents a very significant change in the financial reporting model used by state and local governments.

GASB No. 34 requires government-wide financial statements to be prepared using the modified cash basis of accounting. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities on the statement of net assets and statement of activities. Additionally, the City's statement of net assets - modified cash basis includes capital assets and long-term liabilities of the City which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, respectively. In addition to the fixed assets previously recorded in the General Fixed Assets Account Group, the City retroactively capitalized infrastructure assets. In addition, the government-wide statement of activities - modified cash basis reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified cash basis of accounting for the City's General Fund, which is similar to that previously presented for these funds in the City's financial statements, although the format of financial statements has been modified by GASB No. 34.

GASB No. 34 also includes, as required supplementary information, Management's Discussion and Analysis, which provides an analytical overview of the City's financial activities. In addition, budgetary comparison schedules are presented which compare the original and final revised budget with actual results for the General Fund.

GASB No. 38 requires certain disclosures to be made in the notes to the basic financial statements concurrent with the implementation of GASB No. 34. While this statement did not affect amounts reported in the financial statements of the City, certain note disclosures have been added and amended including descriptions of activities of major funds, future debt service and lease obligations in five year increments, and interfund balances and transactions.

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE I - ACCOUNTING CHANGE AND RESTATEMENT OF FUND BALANCE (Continued)

These statements had a significant effect on the City's financial reporting model. All statements were retroactively applied to April 1, 2004. Restatement of net assets within the government-wide financial statements is as follows:

General Fund	\$ 501,051
Special Revenue Funds:	
Street Bond Fund	1,262,956
Tax Increment Revenue Fund	29,591
Sewer Lateral Fund	62,400
Police Training Fund	13,371
Debt Service Funds:	
Special Allocation Revenue Fund	126,396
Debt Service Reserve Fund	87,401
Debt Service Fund	<u>2,935</u>
Total Fund Equity, March 31, 2004	2,086,101
Required GASB No. 34 adjustments:	
Capital assets, net accumulated depreciation	4,627,375
Long-term and other liabilities	<u>(7,844,950)</u>
Total Net Assets (Deficiency), March 31, 2004	(<u>\$1,131,474</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 - MODIFIED CASH BASIS - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Property Taxes	\$ 220,000	240,964	20,964
Gross Receipts Taxes			
Cable television	40,000	43,201	3,201
Electric	220,000	209,108	(10,892)
Gas	182,000	194,973	12,973
Telephone	100,000	95,815	(4,185)
Water	50,000	40,487	(9,513)
Total Gross Receipts Taxes	592,000	583,584	(8,416)
Licenses and Permits			
Auto stickers	12,500	13,422	922
Building permits	26,000	21,752	(4,248)
Liquor	6,400	6,540	140
Merchants' licenses	165,200	170,257	5,057
Total Licenses And Permits	210,100	211,971	1,871
Intergovernmental			
Gasoline tax	141,000	139,271	(1,729)
Motor vehicle tax	61,200	59,916	(1,284)
Road and bridge	72,500	72,654	154
Total Intergovernmental	274,700	271,841	(2,859)
Sales Tax	1,941,600	2,015,217	73,617
Fines and Court Costs	370,000	352,518	(17,482)
Investment Income	14,700	4,934	(9,766)
Miscellaneous			
Miscellaneous	34,650	83,800	49,150
Parks and recreation	68,000	33,140	(34,860)
Rental income	62,250	62,695	445
Grant income	-	37,581	37,581
Total Miscellaneous	164,900	217,216	52,316
Total Revenues	3,788,000	3,898,245	110,245

(Continued)

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES			
Administration			
Personnel services:			
Salaries	211,550	162,023	(49,527)
Employee health insurance	31,200	28,743	(2,457)
Employee life insurance	2,900	1,330	(1,570)
Employee pension	13,400	17,385	3,985
Payroll taxes	15,650	193,647	177,997
Unemployment	8,000	23,919	15,919
Operating expenses:			
Board and mayor expenditures	9,400	6,014	(3,386)
Codification	2,000	2,725	725
Communications	25,000	23,376	(1,624)
Dues	5,500	4,123	(1,377)
Election expenses	7,000	1,968	(5,032)
Insurance and bonds	67,900	61,817	(6,083)
Miscellaneous	4,500	10,516	6,016
Economic development	-	297,162	297,162
Postage	6,500	6,007	(493)
Supplies and materials	10,500	6,648	(3,852)
Telephone	7,000	5,834	(1,166)
Training and education	6,500	3,419	(3,081)
Volunteer expense	6,000	-	(6,000)
Contracted services:			
Audit	12,000	9,680	(2,320)
Clerical contract labor	34,000	51,621	17,621
Legal expenses	20,000	168,683	148,683
Other	5,000	1,794	(3,206)
Capital outlay:			
Computer and software	15,000	12,436	(2,564)
Web site development	4,200	2,494	(1,706)
Land purchase	-	152,500	152,500
Debt service:			
Interest	-	24,128	24,128
Total Administration	<u>530,700</u>	<u>1,279,992</u>	<u>749,292</u>
 Police Department			
Personnel services:			
Salaries	650,500	643,368	(7,132)
Clothing allowance	6,600	7,379	779

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES (Continued)			
Police Department (Continued)			
Severance	-	45,639	45,639
Employee health insurance	124,300	146,249	21,949
Employee life insurance	9,900	6,572	(3,328)
Employee pension	63,050	34,709	(28,341)
Fitness program	-	3,819	3,819
Payroll taxes	49,800	49,771	(29)
Dispatch:			
Salaries	-	50	50
Contracted services:			
Dispatching	162,750	160,985	(1,765)
Contracts	1,000	-	(1,000)
Rejis computer expense	15,700	22,825	7,125
Vehicle operation	32,000	23,672	(8,328)
Jail expenses	4,000	3,454	(546)
School liaison	-	5,000	5,000
Operating expenses:			
Community policing	4,500	469	(4,031)
Insurance and bonds	51,200	46,416	(4,784)
Miscellaneous	1,000	2,236	1,236
Supplies and materials	10,000	8,634	(1,366)
Telephone	9,800	5,573	(4,227)
Postage	1,500	-	(1,500)
Capital outlay:			
Equipment	1,500	1,210	(290)
Police vehicles	22,000	24,254	2,254
Motorcycle grant	2,000	111	(1,889)
Total Police Department	<u>1,223,100</u>	<u>1,242,395</u>	<u>19,295</u>
Fire Department			
Personnel services:			
Salaries	534,100	566,446	32,346
Clothing allowance	6,600	2,932	(3,668)
Employee health insurance	112,950	131,145	18,195
Employee life insurance	8,400	7,329	(1,071)
Employee pension	56,700	28,585	(28,115)
Fitness program	-	2,246	2,246
Payroll taxes	40,850	42,375	1,525

(Continued)

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED MARCH 31, 2005

	Original And Final Budget	Actual	Over (Under) Budget
EXPENDITURES (Continued)			
Fire Department (Continued)			
Operating expenses:			
Dues	1,200	-	(1,200)
Emergency preparation	500	778	278
EMS supplies	2,100	1,095	(1,005)
Fire prevention	3,000	2,188	(812)
Insurance and bonds	35,600	32,274	(3,326)
Miscellaneous	100	68	(32)
Protective clothing	3,300	3,529	229
Repairs and maintenance	2,850	2,576	(274)
Supplies and materials	5,750	5,356	(394)
Telephone	4,350	4,274	(76)
Training	5,750	3,978	(1,772)
Vehicle operation	19,000	12,656	(6,344)
Capital outlay:			
Computer and software	6,500	1,324	(5,176)
Fire fighting capital improvements	4,100	1,830	(2,270)
Total Fire Department	<u>853,700</u>	<u>852,984</u>	<u>(716)</u>
Facilities Maintenance			
Personnel services:			
Salaries	76,350	27,982	(48,368)
Clothing allowance	5,000	10,082	5,082
Employee health insurance	25,000	26,007	1,007
Employee life insurance	1,100	350	(750)
Employee pension	5,050	520	(4,530)
Payroll taxes	5,850	2,107	(3,743)
Operating expenses:			
Beautification	2,750	5,922	3,172
Utilities	38,000	36,313	(1,687)
Vehicle operating expenses	5,000	1,318	(3,682)
Training	500	100	(400)
Tools and equipment	2,500	6,380	3,880
Miscellaneous	500	-	(500)
Repairs and maintenance	30,000	22,943	(7,057)
Supplies and materials	4,500	6,700	2,200

(Continued)

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES (Continued)			
Facilities Maintenance (Continued)			
Capital outlay:			
Computer and software	12,500	9,985	(2,515)
Parks	5,000	50,438	45,438
Total Facilities Maintenance	<u>219,600</u>	<u>207,147</u>	<u>(12,453)</u>
Public Works			
Personnel services:			
Salaries	228,100	266,680	38,580
Employee health insurance	30,300	31,626	1,326
Employee life insurance	3,600	3,473	(127)
Employee pension	18,000	13,834	(4,166)
Payroll taxes	17,450	20,518	3,068
Severance	-	11,855	11,855
Operating expenses:			
Equipment rental	2,500	3,221	721
Insurance and bonds	22,500	20,398	(2,102)
Miscellaneous	500	452	(48)
Mosquito fogging	2,500	1,195	(1,305)
Rock and asphalt	25,000	9,677	(15,323)
Salt	21,000	13,083	(7,917)
Street lighting	38,050	23,952	(14,098)
Street signs	2,100	2,050	(50)
Street sweeping	3,600	1,774	(1,826)
Supplies and materials	5,200	7,517	2,317
Telephone	4,600	6,217	1,617
Traffic paint	2,000	-	(2,000)
Trash removal	5,000	2,585	(2,415)
Tree removal	3,000	4,125	1,125
Training	500	186	(314)
Utilities	-	6,518	6,518
Vehicle operation	13,000	19,928	6,928
Weed killer	1,100	963	(137)
Capital outlay:			
Equipment	52,600	6,262	(46,338)
Street and sidewalk repairs	15,000	49,135	34,135
Total Public Works	<u>517,200</u>	<u>527,224</u>	<u>10,024</u>

(Continued)

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES (Continued)			
Parks and Recreation			
Personnel services:			
Salaries	93,100	93,488	388
Employee health insurance	4,950	5,117	167
Employee life insurance	950	854	(96)
Employee pension	4,350	6,928	2,578
Payroll taxes	7,150	6,667	(483)
Operating expenses:			
Day camp	3,200	2,710	(490)
Fall festival	19,400	21,272	1,872
Insurance and bonds	10,650	9,655	(995)
Miscellaneous	800	92	(708)
Preschool	2,200	1,562	(638)
Special programs	3,200	2,241	(959)
Sports and recreation programs	6,200	701	(5,499)
Supplies and materials	3,550	683	(2,867)
Training	500	28	(472)
Utilities	2,500	2,459	(41)
Capital outlay:			
Fairfax house	-	20	20
Total Parks And Recreation	<u>162,700</u>	<u>154,477</u>	<u>(8,223)</u>
Housing Department			
Personnel services:			
Salaries	31,900	34,337	2,437
Employee health insurance	8,500	8,760	260
Employee life insurance	500	463	(37)
Employee pension	2,400	1,991	(409)
Payroll taxes	2,450	2,529	79
Operating expenses:			
Building demolition	15,000	10,662	(4,338)
Insurance and bonds	4,900	4,442	(458)
Miscellaneous	1,450	853	(597)
Nuisance fees	5,000	790	(4,210)
Supplies and materials	1,300	843	(457)
Telephone	1,200	1,177	(23)

(Continued)

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES (Continued)			
Housing Department (Continued)			
Training	1,000	1,001	1
Vehicle operation	1,700	473	(1,227)
Capital outlay:			
Computer and software	500	-	(500)
Total Housing Department	<u>77,800</u>	<u>68,321</u>	<u>(9,479)</u>
Municipal Court			
Personnel services:			
Salaries	108,800	103,345	(5,455)
Clothing allowance	550	-	(550)
Employee health insurance	22,050	22,813	763
Employee life insurance	1,200	927	(273)
Employee pension	5,700	5,153	(547)
Payroll taxes	8,350	7,632	(718)
Operating expenses:			
Computer expense	3,750	3,194	(556)
Insurance and bonds	10,650	9,655	(995)
Miscellaneous	500	40	(460)
Postage	750	383	(367)
Supplies and materials	3,350	2,775	(575)
Telephone	2,350	1,865	(485)
Training	3,100	2,786	(314)
Total Municipal Court	<u>171,100</u>	<u>160,568</u>	<u>(10,532)</u>
Total Expenditures	<u>3,755,900</u>	<u>4,493,108</u>	<u>737,208</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>32,100</u>	<u>(594,863)</u>	<u>(626,963)</u>
OTHER FINANCING SOURCES			
Sale of capital assets	1,600,000	100,000	(1,500,000)
Certificates of participation issued	-	150,000	150,000
Total Other Financing Sources	<u>1,600,000</u>	<u>250,000</u>	<u>(1,350,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,632,100</u>	<u>(344,863)</u>	<u>(1,976,963)</u>
FUND BALANCE, APRIL 1		<u>501,051</u>	
FUND BALANCE, MARCH 31		<u>\$ 156,188</u>	

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE - BUDGET TO ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED MARCH 31, 2005

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 adopted for the General Fund.

Expenditures

For the year ended March 31, 2005, expenditures exceeded appropriations in the public works and police departments of the General Fund by \$10,024 and \$19,295, respectively. These General Fund expenditures were approved by the Board and were funded by savings in other departments.

For the year ended March 31, 2005, expenditures exceeded appropriations in the administration department of the General Fund by \$749,292 due to continued economic development expenditures approved by the Board.

OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF ROCK HILL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2005

	<u>Special Revenue Funds</u>			<u>Debt Service</u>	
	<u>Tax</u>				
	<u>Increment</u>	<u>Sewer</u>	<u>Police</u>	<u>Debt</u>	
	<u>Revenue</u>	<u>Lateral</u>	<u>Training</u>	<u>Service</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
ASSETS					
Cash and investments	<u>\$ 39,547</u>	<u>48,936</u>	<u>9,878</u>	<u>20</u>	<u>98,381</u>
LIABILITIES AND EQUITY					
Liabilities					
Due to other funds	\$ 13,566	-	-	-	13,566
Equity					
Fund balances - unreserved	<u>25,981</u>	<u>48,936</u>	<u>9,878</u>	<u>20</u>	<u>84,815</u>
Total Liabilities And Equity	<u>\$ 39,547</u>	<u>48,936</u>	<u>9,878</u>	<u>20</u>	<u>98,381</u>

CITY OF ROCK HILL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	Special Revenue Funds			Debt Service	
	Tax Increment Revenue Fund	Sewer Lateral Fund	Police Training Fund	Debt Service Fund	Total
REVENUES					
Property taxes	\$ 93,610	-	-	-	93,610
Sales tax	53,141	-	-	-	53,141
Investment income	-	61	-	30	91
Sewer lateral fees	-	55,551	-	-	55,551
Miscellaneous	-	-	3,380	-	3,380
Total Revenues	146,751	55,612	3,380	30	205,773
EXPENDITURES					
Administration	-	-	6,873	-	6,873
Capital outlay	-	69,076	-	-	69,076
Debt service:					
Interest	-	-	-	31,250	31,250
Total Expenditures	-	69,076	6,873	31,250	107,199
REVENUES OVER (UNDER) EXPENDITURES	146,751	(13,464)	(3,493)	(31,220)	98,574
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	28,305	28,305
Transfers out	(150,361)	-	-	-	(150,361)
Total Other Financing Sources (Uses)	(150,361)	-	-	28,305	(122,056)
NET CHANGE IN FUND BALANCES	(3,610)	(13,464)	(3,493)	(2,915)	(23,482)
FUND BALANCES, APRIL 1	29,591	62,400	13,371	2,935	108,297
FUND BALANCES, MARCH 31	\$ 25,981	48,936	9,878	20	84,815

CITY OF ROCK HILL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
MODIFIED CASH BASIS - AGENCY FUNDS
MARCH 31, 2005

	<u>Asset</u> <u>Forfeiture</u>	<u>Narcotics</u>	<u>Total</u>
ASSETS			
Cash	<u>\$ 9,467</u>	<u> 30</u>	<u> 9,497</u>
 LIABILITIES			
Due to others	<u>\$ 9,467</u>	<u> 30</u>	<u> 9,497</u>

CITY OF ROCK HILL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
MODIFIED CASH BASIS - AGENCY FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	Balance March 31 2004	Additions	Deductions	Balance March 31 2005
ASSET FORFEITURE				
ASSETS				
Cash	\$ 15,451	-	5,984	9,467
LIABILITIES				
Due to others	\$ 15,451	-	5,984	9,467
NARCOTICS				
ASSETS				
Cash	\$ -	30	-	30
LIABILITIES				
Due to others	\$ -	30	-	30
ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 15,451	30	5,984	9,497
LIABILITIES				
Due to others	\$ 15,451	30	5,984	9,467

COMPLIANCE AND INTERNAL CONTROL SECTION



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

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

January 19, 2006

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

We have audited the financial statements of the **CITY OF ROCK HILL, MISSOURI** (the City) as of and for the year ended March 31, 2005 and have issued our report thereon dated January 19, 2006. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not re-

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duce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated January 19, 2006.

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.

Hochschild, Bloom + Company LLP
CERTIFIED PUBLIC ACCOUNTANTS