
CITY OF ROCK HILL, MISSOURI

FINANCIAL REPORT
(Audited)

Year Ended March 31, 2006

CITY OF ROCK HILL, MISSOURI
FINANCIAL REPORT

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

INDEPENDENT AUDITORS' REPORT

June 14, 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, 2006, 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, 2006, 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 June 14, 2006, 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 grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the

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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 read in conjunction with this report in considering 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 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, 2006

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 (\$79,388). The City has unrestricted net assets of (\$939,606).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$308,892.
- At the end of the current fiscal year, unreserved fund balance (deficit) for the General Fund was (\$32,190).

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, 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, 2006**

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, Tax Increment Revenue Fund, Sewer Lateral 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.

The governmental fund 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, 2006

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 30 through 36 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 38 through 41 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

This is the second 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*. Therefore, a comparative analysis of government-wide data is also included in this report.

Net Assets. The City's combined net assets (deficiency) were (\$79,388).

The condensed statement of net assets - modified cash basis for governmental activities was as follows:

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2006

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and investments	\$ 366,780	744,544
Capital assets, net	<u>3,336,670</u>	<u>5,893,423</u>
Total Assets	<u>3,703,450</u>	<u>6,637,967</u>
LIABILITIES		
Other liabilities	57,888	89,534
Long-term liabilities	<u>3,724,950</u>	<u>7,774,950</u>
Total Liabilities	<u>3,782,838</u>	<u>7,864,484</u>
NET ASSETS (DEFICIENCY)		
Invested in capital assets, net of related debt	771,670	(1,063,327)
Restricted for debt service	88,548	87,782
Unrestricted (deficit)	<u>(939,606)</u>	<u>(250,972)</u>
Total Net Assets (Deficiency)	<u>(\$ 79,388)</u>	<u>(1,226,517)</u>

Governmental activities. Governmental activities increased the City's net assets by \$1,147,129. Key elements of this are as follows:

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2006

	For The Years Ended March 31	
	2006	2005
REVENUES		
Program revenues:		
Charges for services	\$ 621,408	503,904
Operating grants and contributions	279,311	312,802
General revenues:		
Taxes	3,022,484	3,269,430
Licenses	205,477	211,971
Investment income	10,964	20,740
Miscellaneous	83,951	83,800
Gain on sale of capital assets	<u>1,327,677</u>	<u>100,000</u>
Total Revenues	<u>5,551,272</u>	<u>4,502,647</u>
EXPENSES		
Administration	985,619	1,124,631
Police department	1,138,082	1,237,179
Facilities maintenance	-	170,883
Fire department	812,094	859,402
Public works	819,166	642,262
Parks and recreation	143,272	157,600
Housing department	79,883	68,321
Municipal court	146,994	160,568
Interest on long-term debt	<u>279,033</u>	<u>176,844</u>
Total Expenses	<u>4,404,143</u>	<u>4,597,690</u>
CHANGE IN NET ASSETS	1,147,129	(95,043)
NET ASSETS (DEFICIENCY), APRIL 1	<u>(1,226,517)</u>	<u>(1,131,474)</u>
NET ASSETS (DEFICIENCY), MARCH 31	<u>(\$ 79,388)</u>	<u>(1,226,517)</u>

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.

At March 31, 2006 the total fund balance was \$308,892.

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2006

The fund balance in the City's General Fund decreased by \$188,378 or 121% 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 retirement of debt.

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

- The Tax Increment Revenue Fund increased by \$132,219. This increase was a result of increased economic development taxes.
- The Sewer Lateral Fund increased by \$8,303 or 17% due to lower sewer lateral expenditures.
- The Debt Service Reserve Fund increased by \$753 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.

At March 31, 2006, cash in the Agency Funds equaled \$9,497 due to normal activity.

Capital Assets. The City has invested, net of accumulated depreciation, \$3,336,670 at March 31, 2006 in a broad range of capital assets, including park facilities, roads, buildings, machinery and equipment, and automobiles and trucks. This amount represents a net decrease for the current fiscal year (including additions and deductions) of \$2,556,753. The City purchased capital assets totaling \$1,736,720 and sold capital assets with original cost of \$4,195,525 during the fiscal year ended March 31, 2006. The City's capital assets, net of accumulated depreciation, consisted of:

	March 31	
	2006	2005
Land	\$1,506,859	4,317,384
Buildings and improvements	432,939	370,079
Vehicles	74,815	65,424
Equipment	57,743	29,820
Infrastructure	<u>1,264,314</u>	<u>1,110,716</u>
Total Capital Assets, Net Of Accumulated Depreciation	<u>\$3,336,670</u>	<u>5,893,423</u>

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, 2006 of \$3,724,950 compared to \$7,774,950 at March 31, 2005.

CITY OF ROCK HILL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2006

The following is a summary of long-term debt:

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
General obligation bonds	\$2,565,000	2,680,000
Tax increment revenue bonds	683,200	818,200
Certificates of participation	<u>476,750</u>	<u>4,276,750</u>
	<u>\$3,724,950</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:

- Administration department was \$701,796 over budget mainly due to the purchase of land.

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, 2006

**Governmental
Activities**

ASSETS

Cash and investments	\$ 366,780
Capital assets:	
Land	1,506,859
Other capital assets, net of accumulated depreciation	1,829,811
Total Assets	<u>3,703,450</u>

LIABILITIES

Due to others	13,766
Plan deposits	25,863
Payroll tax liabilities	18,259
Noncurrent liabilities:	
Due within one year	591,750
Due in more than one year	3,133,200
Total Liabilities	<u>3,782,838</u>

NET ASSETS (DEFICIENCY)

Invested in capital assets, net of related debt	771,670
Restricted for debt service	88,548
Unrestricted (deficit)	<u>(939,606)</u>
Total Net Assets (Deficiency)	<u>\$ (79,388)</u>

CITY OF ROCK HILL, MISSOURI
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED MARCH 31, 2006

					Net Revenues (Expenses) And Changes In Net Assets
		Program Revenues			
		Charges For	Operating	Capital	
FUNCTIONS/PROGRAMS	Expenses	Services	Grants And	Grants And	Governmental
Governmental Activities			Contributions	Contributions	Activities
Administration	\$ 985,619	63,566	-	-	(922,053)
Police department	1,138,082	478,157	-	-	(659,925)
Fire department	812,094	-	-	-	(812,094)
Public works	819,166	53,860	279,311	-	(485,995)
Parks and recreation	143,272	25,825	-	-	(117,447)
Housing department	79,883	-	-	-	(79,883)
Municipal court	146,994	-	-	-	(146,994)
Interest on long-term debt	279,033	-	-	-	(279,033)
Total Governmental Activities	<u>\$ 4,404,143</u>	<u>621,408</u>	<u>279,311</u>	<u>-</u>	<u>(3,503,424)</u>
General Revenues					
Taxes:					
Property					589,630
Sales					1,800,897
Utility					631,957
Licenses					205,477
Investment income					10,964
Miscellaneous					83,951
Gain on sale of capital assets					<u>1,327,677</u>
Total General Revenues					<u>4,650,553</u>
CHANGE IN NET ASSETS					1,147,129
NET ASSETS (DEFICIENCY), APRIL 1					<u>(1,226,517)</u>
NET ASSETS (DEFICIENCY), MARCH 31					<u>\$ (79,388)</u>

See notes to financial statements

CITY OF ROCK HILL, MISSOURI
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
MARCH 31, 2006

	<u>General Fund</u>	<u>Tax Increment Revenue Fund</u>	<u>Sewer Lateral Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
ASSETS						
Cash and investments	\$ 47	183,851	57,239	88,515	37,128	366,780
Due from other funds	<u>25,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,651</u>
Total Assets	<u>\$ 25,698</u>	<u>183,851</u>	<u>57,239</u>	<u>88,515</u>	<u>37,128</u>	<u>392,431</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to others	\$ 13,766	-	-	-	-	13,766
Due to other funds	-	25,651	-	-	-	25,651
Plan deposits	25,863	-	-	-	-	25,863
Payroll tax liabilities	<u>18,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,259</u>
Total Liabilities	<u>57,888</u>	<u>25,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,539</u>
Fund Balances (Deficit)						
Reserved for debt service	-	-	-	88,515	33	88,548
Unreserved	<u>(32,190)</u>	<u>158,200</u>	<u>57,239</u>	<u>-</u>	<u>37,095</u>	<u>220,344</u>
Total Fund Balances (Deficit)	<u>(32,190)</u>	<u>158,200</u>	<u>57,239</u>	<u>88,515</u>	<u>37,128</u>	<u>308,892</u>
Total Liabilities And Fund Balances	<u>\$ 25,698</u>	<u>183,851</u>	<u>57,239</u>	<u>88,515</u>	<u>37,128</u>	<u>392,431</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, 2006

Total Fund Balances - Total Governmental Funds	\$ 308,892
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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 \$4,407,355 and the accumulated depreciation is \$1,070,685.	3,336,670
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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	(3,248,200)
Certificates of participation payable	<u>(476,750)</u>

Total Net Assets (Deficiency) Of Governmental Activities	<u><u>\$ (79,388)</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, 2006

	General Fund	Tax Increment Revenue Fund	Sewer Lateral Fund	Debt Service Reserve Fund	Other Govern- mental Funds	Total Govern- mental Funds
REVENUES						
Property taxes	\$ 226,052	105,057	-	-	258,521	589,630
Gross receipts taxes	631,957	-	-	-	-	631,957
Licenses and permits	205,477	-	-	-	-	205,477
Intergovernmental	302,048	-	-	-	-	302,048
Sales tax	1,729,671	48,489	-	-	-	1,778,160
Fines and court costs	478,157	-	-	-	-	478,157
Investment income	7,254	-	188	2,606	916	10,964
Miscellaneous	170,035	-	53,860	-	3,307	227,202
Total Revenues	<u>3,750,651</u>	<u>153,546</u>	<u>54,048</u>	<u>2,606</u>	<u>262,744</u>	<u>4,223,595</u>
EXPENDITURES						
Current:						
Administration	885,744	-	-	-	5,963	891,707
Police department	1,124,094	-	-	-	-	1,124,094
Fire department	796,835	-	-	-	-	796,835
Public works	554,498	-	-	-	-	554,498
Parks and recreation	139,773	-	-	-	-	139,773
Housing department	78,230	-	-	-	-	78,230
Municipal court	146,994	-	-	-	-	146,994
Capital outlay	1,799,259	-	45,745	-	186,747	2,031,751
Debt service:						
Principal	3,800,000	-	-	-	250,000	4,050,000
Interest	136,804	-	-	-	142,229	279,033
Total Expenditures	<u>9,462,231</u>	<u>-</u>	<u>45,745</u>	<u>-</u>	<u>584,939</u>	<u>10,092,915</u>
REVENUES OVER (UNDER)						
EXPENDITURES	<u>(5,711,580)</u>	<u>153,546</u>	<u>8,303</u>	<u>2,606</u>	<u>(322,195)</u>	<u>(5,869,320)</u>
OTHER FINANCING						
SOURCES (USES)						
Sale of capital assets	5,523,202	-	-	-	-	5,523,202
Transfers in	-	-	-	695	24,007	24,702
Transfers out	-	(21,327)	-	(2,548)	(827)	(24,702)
Total Other Financing Sources (Uses)	<u>5,523,202</u>	<u>(21,327)</u>	<u>-</u>	<u>(1,853)</u>	<u>23,180</u>	<u>5,523,202</u>
NET CHANGE IN FUND						
BALANCES	<u>(188,378)</u>	<u>132,219</u>	<u>8,303</u>	<u>753</u>	<u>(299,015)</u>	<u>(346,118)</u>
FUND BALANCES, APRIL 1	<u>156,188</u>	<u>25,981</u>	<u>48,936</u>	<u>87,762</u>	<u>336,143</u>	<u>655,010</u>
FUND BALANCES (DEFICIT), MARCH 31	<u>\$ (32,190)</u>	<u>158,200</u>	<u>57,239</u>	<u>88,515</u>	<u>37,128</u>	<u>308,892</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, 2006

Net Change In Fund Balances - Governmental Funds \$ (346,118)

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 \$1,736,720 exceeded
depreciation (\$97,948) in the current period. 1,638,772

The net effect of various miscellaneous transactions involving capital
assets (i.e., sales, trade-ins, donations) is to decrease net assets (4,195,525)

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 re-
sources 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.

Repayments:

Certificates of participation	3,800,000	
Bonds payable	250,000	4,050,000

Change In Net Assets Of Governmental Activities \$ 1,147,129

CITY OF ROCK HILL, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS -
AGENCY FUNDS
MARCH 31, 2006

	<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.

Tax Increment Revenue Fund -- The Tax Increment Revenue Fund is used to account for the payments in lieu of taxes and the incremental economic activity taxes received in the Tax Increment Financing District.

Sewer Lateral Fund -- The Sewer Lateral Fund is used to account for the financial resources and expenditures of the lateral sewer tax.

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
Vehicles	5 - 7
Equipment	7 - 25
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. Property taxes are levied per \$100 of assessed valuation which totaled \$84,054,487 for the City (real property \$72,087,892 and personal property \$11,966,595).

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. 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, 2006, 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, 2006, the City had the following investments:

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

<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	\$ 88,826	88,826	-	N/A
Repurchase agreements	125,219	125,219	-	AAA
Certificates of deposit	<u>15,295</u>	<u>-</u>	<u>15,295</u>	N/A
Total Investments	<u>\$229,340</u>	<u>214,045</u>	<u>15,295</u>	

Investments Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a written investment policy covering credit risk.

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 does not have a written investment policy covering interest rate risk.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have a written investment policy covering concentration of credit risk.

NOTE C - CAPITAL ASSETS

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

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

For The Year Ended March 31, 2006				
	Balance March 31 2005	Additions	Retirements	Balance March 31 2006
Governmental Activities				
Capital assets not being depreciated:				
Land	\$4,317,384	1,385,000	4,195,525	1,506,859
Capital assets being depreciated:				
Buildings and improvements	650,799	77,197	-	727,996
Vehicles	259,383	46,714	-	306,097
Equipment	499,398	41,062	-	540,460
Infrastructure	1,139,196	186,747	-	1,325,943
Total Capital Assets				
Being Depreciated	2,548,776	351,720	-	2,900,496
Less - Accumulated depreciation				
for:				
Buildings and improvements	280,720	14,337	-	295,057
Vehicles	193,959	37,323	-	231,282
Equipment	469,578	13,139	-	482,717
Infrastructure	28,480	33,149	-	61,629
Total Accumulated				
Depreciation	972,737	97,948	-	1,070,685
Total Capital Assets Being				
Depreciated, Net	1,576,039	253,772	-	1,829,811
Governmental Activities				
Capital Assets, Net	\$5,893,423	1,638,772	4,195,525	3,336,670

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

	For The Year Ended March 31, 2006
Governmental activities:	
Administration	\$ 8,264
Public works	66,574
Parks and recreation	3,013
Fire department	8,785
Police department	11,312
	<u>\$97,948</u>

CITY OF ROCK HILL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

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 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 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, 2006 was 15 years.

Three-year trend information follows:

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - EMPLOYEE RETIREMENT SYSTEMS (Continued)

3. Annual Pension Cost (Continued)

<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
2001	1,322,240	892,473	429,767

<u>For The Actuarial Valuation Years Ended February 28/29</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded AAL As A Percentage Of Covered Payroll</u>
2006	165%	\$554,597	- %
2005	175	550,825	-
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.

CITY OF ROCK HILL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE D - EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 - 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 consist of the following:

General Obligation Bonds

	March 31
	<u>2006</u>
\$3,000,000 General Obligation Bonds, Series 2002, due in annual installments through March 1, 2022, interest payable at 3% to 4.875%.	<u>\$ 2,565,000</u>

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>	
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	135,000	96,298	231,298
2012 - 2016	765,000	391,205	1,156,205
2017 - 2021	955,000	197,279	1,152,279
2022	<u>220,000</u>	<u>10,725</u>	<u>230,725</u>
	<u>\$2,565,000</u>	<u>1,128,605</u>	<u>3,693,605</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, 2006 are as follows:

<u>Tax Increment Revenue Bonds</u>					
	<u>Date</u> <u>Issued</u>	<u>Date Of</u> <u>Maturity</u>	<u>Date Of</u> <u>Annual</u> <u>Payment</u>	<u>Original</u> <u>Amount</u>	<u>Balance</u> <u>March 31</u> <u>2006</u>
McKnight Crossing	7-28-1999	12-1-2019	December 1	\$1,000,000	\$310,000
McKnight Crossing	7-28-1999	12-1-2019	December 1	373,200	<u>373,200</u>
					<u>\$683,200</u>

CITY OF ROCK HILL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT (Continued)

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 2006 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 2006 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, 2006</u>			<u>Amounts Due Within One Year</u>
	<u>Balance March 31 2005</u>	<u>Additions</u>	<u>Reductions</u>	
General obligation bonds	\$2,680,000	-	115,000	2,565,000
Tax increment revenue bonds	818,200	-	135,000	683,200
Certificates of participation	<u>4,276,750</u>	<u>-</u>	<u>3,800,000</u>	<u>476,750</u>
	<u>\$7,774,950</u>	<u>-</u>	<u>4,050,000</u>	<u>3,724,950</u>
				<u>591,750</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 certificates of participation are to be liquidated by the General Fund.

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, 2006</u>	
	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$25,651	-
Tax Increment Revenue Fund	<u>-</u>	<u>25,651</u>
	<u>\$25,651</u>	<u>25,651</u>

CITY OF ROCK HILL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE H - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

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

	Transfers In		
	Debt Service Reserve Fund	Nonmajor Governmental Funds	Total
Transfers out:			
Tax Increment Revenue Fund	\$ -	21,327	21,327
Debt Service Reserve Fund	-	2,548	2,548
Nonmajor governmental funds	<u>695</u>	<u>132</u>	<u>827</u>
	<u>\$ 695</u>	<u>24,007</u>	<u>24,702</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, 2006

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Property Taxes	\$ 246,000	226,052	(19,948)
Gross Receipts Taxes			
Cable television	43,000	44,382	1,382
Electric	200,000	224,290	24,290
Gas	190,000	233,478	43,478
Telephone	95,000	90,063	(4,937)
Water	40,000	39,744	(256)
Total Gross Receipts Taxes	568,000	631,957	63,957
Licenses and Permits			
Auto stickers	11,300	13,243	1,943
Building permits	20,500	18,266	(2,234)
Liquor	6,500	7,166	666
Merchants' licenses	154,400	166,802	12,402
Total Licenses And Permits	192,700	205,477	12,777
Intergovernmental			
Cigarette tax	22,200	22,737	537
Gasoline tax	141,000	137,131	(3,869)
Motor vehicle tax	63,000	58,135	(4,865)
Road and bridge	30,000	84,045	54,045
Total Intergovernmental	256,200	302,048	45,848
Sales Tax	2,128,850	1,729,671	(399,179)
Fines and Court Costs	391,000	478,157	87,157
Investment Income	5,000	7,254	2,254
Miscellaneous			
Miscellaneous	11,000	80,644	69,644
Parks and recreation	50,000	25,825	(24,175)
Rental income	52,800	63,566	10,766
Total Miscellaneous	113,800	170,035	56,235
Total Revenues	3,901,550	3,750,651	(150,899)

(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, 2006

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES			
Administration			
Personnel services:			
Salaries	278,750	206,172	(72,578)
Employee health insurance	57,850	32,445	(25,405)
Employee life insurance	4,850	1,371	(3,479)
Employee pension	16,500	11,789	(4,711)
Payroll taxes	19,750	139,194	119,444
Unemployment	20,000	3,665	(16,335)
Operating expenses:			
Board and mayor expenditures	6,000	3,763	(2,237)
Codification	4,000	6,691	2,691
Communications	25,000	16,740	(8,260)
Dues	4,500	3,676	(824)
Election	6,000	1,440	(4,560)
Insurance and bonds	28,450	16,616	(11,834)
Miscellaneous	14,500	6,969	(7,531)
Rent	-	32,953	32,953
Planning services	-	55,472	55,472
Postage	5,000	5,980	980
Supplies and materials	6,000	8,000	2,000
Telephone	5,000	8,001	3,001
Training and education	6,000	2,475	(3,525)
Volunteer	3,000	2,362	(638)
Contracted services:			
Audit	45,000	30,195	(14,805)
Clerical contract labor	20,000	56,838	36,838
Legal	30,000	172,596	142,596
Other	1,000	67,136	66,136
Capital outlay:			
Computer and software	15,000	21,135	6,135
Web site development	4,200	2,120	(2,080)
Equipment	706,250	73,548	(632,702)
Land purchase	-	1,385,000	1,385,000
Debt service:			
Principal	4,276,750	3,800,000	(476,750)
Interest	-	136,804	136,804
Total Administration	<u>5,609,350</u>	<u>6,311,146</u>	<u>701,796</u>
 Police Department			
Personnel services:			
Salaries	465,350	520,976	55,626
Clothing allowance	5,400	5,809	409

(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, 2006

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES (Continued)			
Police Department (Continued)			
Severance	158,700	153,447	(5,253)
Employee health insurance	107,800	79,151	(28,649)
Employee life insurance	7,000	3,240	(3,760)
Employee pension	125,500	21,493	(104,007)
Fitness program	6,050	3,596	(2,454)
Payroll taxes	47,750	47,928	178
Dispatch:			
Salaries	-	565	565
Contracted services:			
Dispatching	162,750	165,181	2,431
Rejis computer expense	15,700	22,317	6,617
Vehicle operation	32,000	30,998	(1,002)
Jail expenses	6,000	2,565	(3,435)
School liaison	-	10,000	10,000
Operating expenses:			
Insurance and bonds	48,050	36,155	(11,895)
Miscellaneous	1,800	1,683	(117)
Supplies and materials	10,000	10,641	641
Telephone	9,800	8,349	(1,451)
Capital outlay:			
Equipment	6,300	2,676	(3,624)
Total Police Department	<u>1,215,950</u>	<u>1,126,770</u>	<u>(89,180)</u>
 Fire Department			
Personnel services:			
Salaries	439,300	474,251	34,951
Severance	86,250	91,444	5,194
Clothing allowance	6,000	4,878	(1,122)
Employee health insurance	109,500	87,222	(22,278)
Employee life insurance	6,000	5,045	(955)
Employee pension	121,900	21,230	(100,670)
Payroll taxes	39,750	39,984	234
Operating expenses:			
Fitness program	6,750	2,380	(4,370)
Dues	1,200	1,641	441
EMS supplies	2,100	1,070	(1,030)
Fire prevention	3,000	2,285	(715)
Insurance and bonds	42,000	31,603	(10,397)
Miscellaneous	600	-	(600)
Protective clothing	3,300	1,121	(2,179)
Repairs and maintenance	3,850	4,183	333

(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, 2006

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES (Continued)			
Fire Department (Continued)			
Supplies and materials	6,500	3,678	(2,822)
Telephone	4,350	5,603	1,253
Training	5,750	3,086	(2,664)
Vehicle operation	19,000	16,131	(2,869)
Capital outlay:			
Computer and software	6,500	3,686	(2,814)
Department improvements	3,000	1,041	(1,959)
Fire fighting capital improvements	4,100	66,059	61,959
Total Fire Department	<u>920,700</u>	<u>867,621</u>	<u>(53,079)</u>
 Public Works			
Personnel services:			
Salaries	276,350	264,717	(11,633)
Clothing allowance	6,800	9,517	2,717
Severance	39,550	39,518	(32)
Employee health insurance	70,650	43,770	(26,880)
Employee life insurance	4,500	2,320	(2,180)
Employee pension	17,700	14,031	(3,669)
Payroll taxes	24,200	21,581	(2,619)
Operating expenses:			
Beautification	3,500	390	(3,110)
Consulting fees	-	27	27
Equipment rental	5,000	120	(4,880)
Insurance and bonds	27,650	20,805	(6,845)
Miscellaneous	500	872	372
Mosquito fogging	2,500	1,178	(1,322)
Repairs and maintenance	30,000	7,965	(22,035)
Rock and asphalt	25,000	9,000	(16,000)
Salt	22,000	3,104	(18,896)
Street lighting	38,100	36,132	(1,968)
Street signs	2,100	1,252	(848)
Street sweeping	3,000	478	(2,522)
Supplies and materials	11,000	10,249	(751)
Telephone	5,000	7,917	2,917
Traffic paint	1,000	661	(339)
Trash removal	4,000	2,601	(1,399)
Tree Removal	4,000	3,555	(445)
Training	1,000	539	(461)
Utilities	38,000	34,027	(3,973)
Vehicle operation	18,000	16,919	(1,081)
Weed killer	1,100	1,253	153

(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, 2006

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES (Continued)			
Public works (Continued)			
Capital outlay:			
Equipment	115,000	72,028	(42,972)
Street and sidewalk repairs	140,000	150,147	10,147
Total Public Works	<u>937,200</u>	<u>776,673</u>	<u>(160,527)</u>
Parks and Recreation			
Personnel services:			
Salaries	95,600	89,450	(6,150)
Employee health insurance	4,400	4,256	(144)
Employee life insurance	850	785	(65)
Employee pension	3,900	4,479	579
Payroll taxes	7,450	6,441	(1,009)
Operating expenses:			
Consulting fees	12,000	213	(11,787)
Day camp	3,000	3,314	314
Fall festival	10,000	7,157	(2,843)
Insurance and bonds	9,600	7,223	(2,377)
Intergovernmental contract	10,000	8,570	(1,430)
Miscellaneous	900	576	(324)
Preschool	2,200	1,824	(376)
Special programs	3,000	1,670	(1,330)
Sports and recreation programs	4,200	928	(3,272)
Supplies and materials	2,350	784	(1,566)
Training	500	-	(500)
Utilities	2,500	2,103	(397)
Capital outlay:			
Equipment	1,200	-	(1,200)
Park improvements	15,000	13,371	(1,629)
Total Parks And Recreation	<u>188,650</u>	<u>153,144</u>	<u>(35,506)</u>
Housing Department			
Personnel services:			
Salaries	34,350	23,757	(10,593)
Employee health insurance	7,000	2,986	(4,014)
Employee life insurance	1,200	193	(1,007)
Employee pension	2,200	1,895	(305)
Payroll taxes	2,650	1,817	(833)
Operating expenses:			
Building demolition	34,100	-	(34,100)
Community improvement	1,000	490	(510)
Consulting fees	-	18,025	18,025

(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, 2006

	Original And Final Budget	Actual	Over (Under) Budget
EXPENDITURES (Continued)			
Housing Department			
Insurance and bonds	3,450	2,596	(854)
Contracted services	300	24,291	23,991
Nuisance fees	3,000	1,470	(1,530)
Telephone	1,200	282	(918)
Training	2,000	297	(1,703)
Vehicle operation	1,200	131	(1,069)
Capital outlay:			
Computer and software	1,700	1,653	(47)
Total Housing Department	<u>95,350</u>	<u>79,883</u>	<u>(15,467)</u>
Municipal Court			
Personnel services:			
Salaries	117,900	98,536	(19,364)
Clothing allowance	600	-	(600)
Employee health insurance	17,850	15,406	(2,444)
Employee life insurance	1,100	554	(546)
Employee pension	6,000	4,494	(1,506)
Payroll taxes	7,550	6,891	(659)
Operating expenses:			
Computer expense	4,950	3,271	(1,679)
Insurance and bonds	11,800	8,879	(2,921)
Legal processing fees	-	160	160
Miscellaneous	500	692	192
Postage	800	406	(394)
Supplies and materials	3,500	2,957	(543)
Telephone	2,450	1,522	(928)
Training	3,250	3,226	(24)
Total Municipal Court	<u>178,250</u>	<u>146,994</u>	<u>(31,256)</u>
Total Expenditures	<u>9,145,450</u>	<u>9,462,231</u>	<u>316,781</u>
REVENUES OVER (UNDER) EXPENDITURES	(5,243,900)	(5,711,580)	(467,680)
OTHER FINANCING SOURCES			
Sale of capital assets	<u>5,627,500</u>	<u>5,523,202</u>	<u>(104,298)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 383,600</u>	(188,378)	<u>(571,978)</u>
FUND BALANCE, APRIL 1		<u>156,188</u>	
FUND BALANCE (DEFICIT), MARCH 31		<u>\$ (32,190)</u>	

CITY OF ROCK HILL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED MARCH 31, 2006

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, 2006, expenditures exceeded appropriations in the administration department of the General Fund by \$701,796 due to the purchase of land approved by the Board.

CITY OF ROCK HILL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION

OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF ROCK HILL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2006

	<u>Special Revenue Funds</u>			<u>Debt Service</u>	
	<u>Street Bond</u>	<u>Special</u>	<u>Police</u>	<u>Debt</u>	
	<u>Special</u>	<u>Allocation</u>	<u>Training</u>	<u>Service</u>	
	<u>Revenue</u>	<u>Revenue</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
ASSETS					
Cash and investments	<u>\$ 28,193</u>	<u>278</u>	<u>8,624</u>	<u>33</u>	<u>37,128</u>
LIABILITIES AND EQUITY					
Liabilities	\$ -	-	-	-	-
Equity					
Fund balances - unreserved	<u>28,193</u>	<u>278</u>	<u>8,624</u>	<u>33</u>	<u>37,128</u>
Total Liabilities And Equity	<u>\$ 28,193</u>	<u>278</u>	<u>8,624</u>	<u>33</u>	<u>37,128</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, 2006

	<u>Special Revenue Funds</u>			<u>Debt Service</u>	
	<u>Street Bond Special Revenue Fund</u>	<u>Special Allocation Revenue Fund</u>	<u>Police Training Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
REVENUES					
Property taxes	\$ 258,521	-	-	-	258,521
Investment income	-	847	-	69	916
Miscellaneous	-	-	3,307	-	3,307
Total Revenues	<u>258,521</u>	<u>847</u>	<u>3,307</u>	<u>69</u>	<u>262,744</u>
EXPENDITURES					
Administration	-	1,402	4,561	-	5,963
Capital outlay	186,747	-	-	-	186,747
Debt service:					
Principal	115,000	135,000	-	-	250,000
Interest	118,166	-	-	24,063	142,229
Total Expenditures	<u>419,913</u>	<u>136,402</u>	<u>4,561</u>	<u>24,063</u>	<u>584,939</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(161,392)</u>	<u>(135,555)</u>	<u>(1,254)</u>	<u>(23,994)</u>	<u>(322,195)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	24,007	24,007
Transfers out	-	(827)	-	-	(827)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(827)</u>	<u>-</u>	<u>24,007</u>	<u>23,180</u>
NET CHANGE IN FUND BALANCES	(161,392)	(136,382)	(1,254)	13	(299,015)
FUND BALANCES, APRIL 1	<u>189,585</u>	<u>136,660</u>	<u>9,878</u>	<u>20</u>	<u>336,143</u>
FUND BALANCES, MARCH 31	<u>\$ 28,193</u>	<u>278</u>	<u>8,624</u>	<u>33</u>	<u>37,128</u>

CITY OF ROCK HILL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
MODIFIED CASH BASIS - AGENCY FUNDS
MARCH 31, 2006

	<u>Asset Forfeiture</u>
ASSETS	
Cash	<u>\$ 9,497</u>
 LIABILITIES	
Due to others	<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, 2006

	<u>Balance</u> <u>March 31</u> <u>2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31</u> <u>2006</u>
ASSET FORFEITURE				
ASSETS				
Cash	\$ 9,467	30	-	9,497
LIABILITIES				
Due to others	\$ 9,467	30	-	9,497
NARCOTICS				
ASSETS				
Cash	\$ 30	-	30	-
LIABILITIES				
Due to others	\$ 30	-	30	-
ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 9,497	30	30	9,497
LIABILITIES				
Due to others	\$ 9,497	30	30	9,497

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***

June 14, 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, 2006 and have issued our report thereon dated June 14, 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.

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 opinions 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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.

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, con-

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tracts, 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*.

However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated June 14, 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