

CITY OF ROLLA, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2011

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Rolla, Missouri, as of and for the year ended September 30, 2011, 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 of Rolla, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Rolla, Missouri, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended September 30, 2011.

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2012, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, budgetary comparison schedules, and schedules of funding progress 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 supplementary 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 of Rolla, Missouri's basic financial statements as a whole. The data contained under Other Financial Information is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Financial Data is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
March 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2011**

The management's discussion and analysis of the City of Rolla's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the City's financial statements, which begin on page 15.

Financial Highlights

- The net assets of the City's governmental activities decreased by \$413,924 for the year as a result of current year activities. The net assets of the City's business activities increased \$661,595 for the year.
- The assets of the City exceeded its liabilities as of September 30, 2011, by \$95.6 million (net assets). Of this amount \$8.1 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$2,154,366.
- Total estimated construction costs for fiscal year 2011 were \$19,111,435 compared to \$23,247,739 in fiscal year 2010. Overall, 148 new housing units were added to the Rolla housing inventory in fiscal year 2011, 30 of which were single-family homes.
- Beginning in May 2010, various departments within the City of Rolla are participating in an Energy Efficiency Program. These departments include; City Hall Building Services, Police Department, Fire Department, Sewer Department and the Centre. The total project cost is \$2,032,435 with a projected annual savings of \$126,276. The lease purchase financing associated with this project is for a 15 year term at a fixed rate of 4.05%. With the exception of the Sewer Department, the majority of the project has been completed. Pending patents have been approved and the bids for the sewer treatment plant blowers have been mailed out. Estimated completion of the project is before the close of fiscal year 2012.
- The City of Rolla collects a sales tax rate of 2.50% which is distributed among the General Fund (1%), Street Fund (1%) and the Parks and Recreation Fund (0.5%). In fiscal year 2011, the City received \$9,312,031 overall, which is a 2.31% increase for sales tax receipts received in fiscal year 2010. Since sales tax revenues account for approximately 38% of total revenue, sales tax revenues are monitored monthly and the budget is adjusted accordingly to ensure a balance between revenues and expenditures.
- The Recreation Center opened in 2002 and has completed its ninth full year of operations, achieving a 79% recapture rate. Overall, revenues for the Center decreased 8% (primarily due to a reduction in memberships) while expenses remained the same. Splashzone ended the year with a 93% recapture rate. Revenues for SplashZone increased 25% while expenditures increased 10%.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2011**

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net assets and changes in them. The City's net assets – the difference between assets and liabilities – are one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- **Business-Type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer and sanitation services are provided here.
- **Component Unit** – The City has one component unit, which is Rolla Municipal Utilities whose activities are presented in the Government-Wide financial statements.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds and not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

- **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds are shown in a reconciliation following the fund financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2011**

- Proprietary Funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Internal Service Fund is used to account for charges made to other units of government for health insurance premiums.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

NET ASSETS

The following table presents the condensed Statement of Net Assets for the City as of September 30, 2011 and 2010:

	Governmental Activities	Business-Type Activities	Total September 30, 2011	Total September 30, 2010
Current and other assets	\$ 7,620,383	\$ 7,342,584	\$ 14,962,967	\$ 15,366,254
Capital assets	79,337,476	24,222,917	103,560,393	104,433,489
TOTAL ASSETS	86,957,859	31,565,501	118,523,360	119,799,743
Other liabilities	3,627,446	920,264	4,547,710	3,778,298
Long-term liabilities outstanding	9,375,707	8,973,183	18,348,890	20,642,356
TOTAL LIABILITIES	13,003,153	9,893,447	22,896,600	24,420,654
Net assets:				
Invested in capital assets				
net of related debt	69,400,694	17,134,991	86,535,685	85,356,221
Restricted	308,931	696,455	1,005,386	387,333
Unrestricted	4,245,081	3,840,608	8,085,689	9,635,535
TOTAL NET ASSETS	\$ 73,954,706	\$ 21,672,054	\$ 95,626,760	\$ 95,379,089

Total net assets of the City increased \$247,671 for the year due to current year activity. Total liabilities for the City have decreased by \$1,524,054 due to the repayment of bond principal and capital lease principal. Net capital assets for the governmental activities totaled \$79.3 million as of September 30, 2011.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2011**

CHANGE IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2011	Total Year Ended September 30, 2010
REVENUES				
Program Revenues				
Charges for services	\$ 3,419,854	\$ 5,731,853	\$ 9,151,707	\$ 7,862,908
Operating grants and contributions	582,321	-	582,321	402,257
Capital grants and contributions	200,903	-	200,903	293,816
General Revenues				
Property taxes	1,131,122	-	1,131,122	1,084,086
Sales taxes	9,377,786	-	9,377,786	9,089,096
Motor vehicle taxes	621,509	-	621,509	625,239
Payment in lieu of taxes	1,479,825	-	1,479,825	1,485,445
Other taxes	423,120	-	423,120	429,566
Franchise fees	821,949	-	821,949	1,039,874
Interest	143,745	276,523	420,268	430,174
Other revenue	84,323	51,388	135,711	87,876
Transfers	473,334	(473,334)	-	-
TOTAL REVENUES	18,759,791	5,586,430	24,346,221	22,830,337
EXPENSES				
General government and other	4,892,445	-	4,892,445	4,778,693
Public safety	5,832,413	-	5,832,413	5,572,249
Public works and maintenance	4,761,551	-	4,761,551	3,448,642
Recreation Center	2,136,248	-	2,136,248	2,231,857
Park	946,286	-	946,286	912,153
Airport	604,772	-	604,772	547,529
Sewer	-	2,236,310	2,236,310	2,129,629
Environmental services	-	2,688,525	2,688,525	2,550,339
TOTAL EXPENSES	19,173,715	4,924,835	24,098,550	22,171,091
INCREASE (DECREASE) IN NET ASSETS	\$ (413,924)	\$ 661,595	\$ 247,671	\$ 659,246

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2011**

Governmental Activities

Governmental activities decreased the net assets of the City by \$413,924. Tax revenues for the City were \$13.9 million, which represents 74% of the financing of these activities. Program revenues for the functions totaled \$4.2 million or 22% of the funding. The following table shows the cost of the City's programs as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

NET COST OF THE CITY OF ROLLA'S GOVERNMENTAL ACTIVITIES

	Total Cost of Services	Net Cost of Services
General government and other	\$ 4,892,445	\$ 3,561,558
Public safety	5,832,413	4,965,695
Public works and maintenance	4,761,551	4,383,724
Recreation Center	2,136,248	930,168
Park	946,286	824,429
Airport	604,772	305,063
	<u>\$ 19,173,715</u>	<u>\$ 14,970,637</u>

Business-Type Activities

Business-type activities increased the City's net assets by \$661,595. Last year the business-type activities increased \$549,253.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2011, were \$6.2 million. The General Fund decreased by \$264,874. The Street Fund decreased by \$311,248. The Recreation Center Fund decreased by \$193,550. The Park Fund decreased by \$22,060. The Airport Fund increased by \$27,011. The Cemetery Fund increased by \$16,066. The Park Land Reserve Fund increased by \$707.

The General Fund budgeted an operating deficit in fiscal year 2011 in the amount of \$247,946 and ended the year with a deficit of \$264,874. After a 1.01% decrease in fiscal year 2010, sales tax receipts increased by 3.17% in 2011. The General Fund receives approximately 40% of its revenues from sales tax.

City Council established a goal of a General Fund Reserve Balance equal to 25% of the annual General Fund operating expenditures. The fund balance in the General Fund was \$2,048,553 or 20% at fiscal year end.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2011**

From 2002 through September 30, 2011, the Fire Department received approval for a total of \$1,400,000 in Weapons of Mass Destruction Grants through the Homeland Security Department. Although the previous grants were awarded and expended within the year of award, the balance remaining in grant funds is estimated to be \$65,000 and will be expended in fiscal year 2012.

Expenditures were budgeted to exceed revenues by \$478,346 in the Street Fund in 2011 and ended with a deficit of \$311,248. The Street Fund receives two ½ cent sales taxes (the Transportation Sales Tax and the Capital Improvement Sales Tax) and motor fuel taxes. Sales tax receipts increased 2.56% in fiscal year 2011.

The ½ cent Recreation Centre (Park) tax increased 2.32%. Total operating revenues equaled just under \$1.2 million and total operating expenditures at the Recreation Centre equaled just over \$1.5 million. Fiscal year 2011 was the ninth full year of operations for the Recreation Centre. While management continues to strive to achieve the 100% recapture goal established by City Council the operating recapture rate for the Centre was 79%. SplashZone achieved a 93% recapture rate in fiscal year 2011.

General Fund Budgetary Highlights

Differences between the original and the final amended budget can be summarized as follows:

- The original revenue budget of \$9,821,310 was increased to \$10,000,810.
- The total original expenditures budget of \$10,864,969 was increased to \$11,369,527.

Fiscal year end budget adjustments were presented and approved by City Council at the December 5, 2011, meeting. The year-end budget adjustments were done to comply with Chapter 67, RSMo. The overall year-end budget adjustments increased revenues \$1,150,550 and increased expenditures \$3,062,000 (primarily due to the energy efficiency expenditures of \$1,117,812 and depreciation expense for sewer and environmental services of \$850,000).

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$79.3 million (net of accumulated depreciation) as of September 30, 2011. This represents a decrease of \$1,003,944 from the prior year due primarily to current year provisions for depreciation. Net capital assets for business-type activities was \$24 million as of September 30, 2011. This represents an increase of \$130,848 from the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2011**

Debt

Total debt of the governmental activities as of September 30, 2011, was \$11.6 million, which netted a decrease of \$1,322,124 due to current year principal payments and the issuance of a new capital lease for a fire truck.

Total debt of the business-type activities as of September 30, 2011, was \$7.2 million, which is down by \$469,190 from the prior year due to payments made on the City's capital leases and revenue bonds.

Economic Factors and Next Year's Budget

City spending patterns will continue to require a more conservative approach and careful monitoring to help rebuild reserves and considering the sensitive local, state and national economies.

Economic Development – In fiscal year 2004 City Council entered into a five-year contract for services with Rolla Regional Economic Commission (RREC). That contract was extended for another five years in December, 2009 but contributions have been reduced from \$105,000 to \$85,000 in fiscal year 2012. In addition the City is working on the development of new commercial areas along I-44 including “Rolla West”, Bryant Drive extension and Kingshighway improvements. In November 2010, the City also entered into a TIF Redevelopment Agreement with Kohl's to construct a new large retail center on North Highway 63 set to open in March, 2012.

Sales tax revenues increased 2.31% in fiscal year 2011. Staff will continue to monitor the situation closely, but anticipates sales tax growth of 1% in fiscal year 2012. Rolla has a solid economic base with a low unemployment rate, solid tourism trends and sustained growth with healthcare, education (Missouri S&T) and Fort Leonard Wood. New projects such as Kohl's, Gordoz, Colton's Steakhouse, Benton Square, other downtown revitalization projects, Columbia College, and the MS&T Technology Park certainly pose significant strengths and opportunities.

The City's self-funded health insurance program ended calendar year 2011 with an employee contribution rate of 36.01%. This percentage is made up of premiums withheld from payroll, co-payments and deductibles paid by employees. Note: the employee contribution calculated from the internal service fund reported in this audit does not include the co-payments and deductibles paid by employees.

Planning for a new consolidated public services facility continued in 2011. Property has been acquired behind the existing Recycling Center and a master plan has been completed. The plan for this facility is to one day house the departments of Environmental Services, Vehicle Maintenance, Park Maintenance, Public Works/Street Services and Animal Control. Looking forward to fiscal year 2012, the architectural and engineering plans will be completed and infrastructure will be installed. The building design will also be completed and a contractor for the construction of Phase I of the building (Vehicle Maintenance and Environmental Services) will be awarded in April 2012. It is projected that construction will be completed around January 2013 with a occupancy date projected around March 2013.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2011**

Contacting the City's Financial Management

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. Any questions regarding the report or request for additional information should be directed to the Finance Director, 901 North Elm, P.O. Box 979, Rolla, Missouri 65401 (573-426-6980).

Rolla Municipal Utilities issues a complete set of financial statements that are more detailed than the data presented herein. Copies of the separately issued Rolla Municipal Utilities statements can be obtained by contacting Rolla Municipal Utilities at 102 W. 9th Street, P.O. Box 767, Rolla, Missouri 65401 (573-364-1572).

CITY OF ROLLA, MISSOURI
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Rolla Municipal Utilities
ASSETS				
Cash and cash equivalents - unrestricted	\$ 3,985,935	\$ 3,241,662	\$ 7,227,597	\$ 21,646,075
Investments - unrestricted	-	-	-	1,735,993
Taxes receivable, net	1,936,484	-	1,936,484	-
Utilities receivable, net	-	637,767	637,767	895,511
Other accounts receivable, net	192,569	-	192,569	5,887
Court fines receivable, net	46,738	-	46,738	-
Intergovernmental receivable	279,643	-	279,643	-
Accrued interest receivable	-	27,576	27,576	-
Inventory	36,035	-	36,035	733,382
Prepaid expenses	402,270	75,496	477,766	125,300
Restricted cash and cash equivalents	478,158	885,002	1,363,160	-
Restricted investments	-	2,381,669	2,381,669	-
Special assessments receivable	190,743	-	190,743	-
Deferred bond issuance costs	71,808	93,412	165,220	-
Capital Assets:				
Non-depreciable	13,180,340	2,041,846	15,222,186	1,017,559
Depreciable, net	66,157,136	22,181,071	88,338,207	38,093,305
TOTAL ASSETS	86,957,859	31,565,501	118,523,360	64,253,012
LIABILITIES				
Current				
Accounts payable	845,286	198,872	1,044,158	1,973,722
Accrued expenses	295,558	69,113	364,671	33,252
Police evidence payable	132,097	-	132,097	-
Deposits payable	-	-	-	1,391,300
Court bonds payable	4,230	-	4,230	-
Refundable permits	32,900	-	32,900	-
Accrued interest payable	57,649	85,517	143,166	28,531
Arbitrage payable	-	84,425	84,425	-
Current maturities of long-term debt	2,259,726	482,337	2,742,063	697,000
	3,627,446	920,264	4,547,710	4,123,805
Noncurrent				
Capital leases payable	3,698,286	1,189,527	4,887,813	15,068,000
General obligation bonds payable	3,978,770	-	3,978,770	-
Revenue bonds payable	-	5,416,062	5,416,062	-
Payable to other governments	-	2,225,098	2,225,098	-
Post employment benefit liability	572,200	-	572,200	-
Post employment pension liability	122,410	-	122,410	-
Compensated absences payable	1,004,041	142,496	1,146,537	137,679
	9,375,707	8,973,183	18,348,890	15,205,679
TOTAL LIABILITIES	13,003,153	9,893,447	22,896,600	19,329,484
NET ASSETS				
Invested in capital assets, net of related debt	69,400,694	17,134,991	86,535,685	25,081,857
Restricted	308,931	696,455	1,005,386	2,052,000
Unrestricted	4,245,081	3,840,608	8,085,689	17,789,671
TOTAL NET ASSETS	\$ 73,954,706	\$ 21,672,054	\$ 95,626,760	\$ 44,923,528

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets			Component Unit Rolla Municipal Utilities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government								
Governmental activities								
Administrative	\$ (927,396)	\$ 150,273	\$ 8,606	\$ -	\$ (768,517)	\$ -	\$ (768,517)	\$ -
Administrator	(380,360)	-	-	-	(380,360)	-	(380,360)	-
Finance	(471,806)	8,800	-	-	(463,006)	-	(463,006)	-
Legal services	(64,554)	-	-	-	(64,554)	-	(64,554)	-
City court	(106,603)	20,400	-	-	(86,203)	-	(86,203)	-
911 telecommunications	(898,431)	808,747	-	-	(89,684)	-	(89,684)	-
Animal shelter	(156,686)	17,305	7,385	-	(131,996)	-	(131,996)	-
Police	(3,063,430)	181,208	323,982	93,669	(2,464,571)	-	(2,464,571)	-
Fire	(2,768,983)	49,520	218,339	-	(2,501,124)	-	(2,501,124)	-
Building maintenance	(157,518)	-	-	-	(157,518)	-	(157,518)	-
Engineering	(757,481)	-	-	-	(757,481)	-	(757,481)	-
Community development	(457,600)	-	6,388	-	(451,212)	-	(451,212)	-
Library	(192,545)	183,634	-	-	(8,911)	-	(8,911)	-
Economic development	(229,845)	103,849	-	-	(125,996)	-	(125,996)	-
Public works	(4,604,033)	298,650	-	79,177	(4,226,206)	-	(4,226,206)	-
Recreation Center	(2,136,248)	1,196,411	9,669	-	(930,168)	-	(930,168)	-
Park	(946,286)	113,905	7,952	-	(824,429)	-	(824,429)	-
Airport	(604,772)	271,652	-	28,057	(305,063)	-	(305,063)	-
Cemetery	(4,269)	15,500	-	-	11,231	-	11,231	-
Debt service	(244,869)	-	-	-	(244,869)	-	(244,869)	-
TOTAL GOVERNMENTAL ACTIVITIES	(19,173,715)	3,419,854	582,321	200,903	(14,970,637)	-	(14,970,637)	-
Business-Type Activities								
Sewer	(2,236,310)	2,644,271	-	-	-	407,961	407,961	-
Environmental services	(2,688,525)	3,087,582	-	-	-	399,057	399,057	-
TOTAL BUSINESS-TYPE ACTIVITIES	(4,924,835)	5,731,853	-	-	-	807,018	807,018	-
TOTAL PRIMARY GOVERNMENT	\$ (24,098,550)	\$ 9,151,707	\$ 582,321	\$ 200,903	(14,970,637)	807,018	(14,163,619)	-

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended September 30, 2011

Functions/Programs	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets			Component Unit Rolla Municipal Utilities	
	Expenses	Charges	Operating	Capital	Primary Government			
		for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities		Total
Component Unit Rolla Municipal Utilities	\$ (26,803,949)	\$ 30,112,519	\$ -	\$ 250,630	-	-	-	3,559,200
		General Revenues:						
					1,131,122	-	1,131,122	-
					9,377,786	-	9,377,786	-
					621,509	-	621,509	-
					1,479,825	-	1,479,825	-
					423,120	-	423,120	-
					821,949	-	821,949	-
					143,745	276,523	420,268	294,408
					84,323	51,388	135,711	187,189
					473,334	(473,334)	-	-
					14,556,713	(145,423)	14,411,290	481,597
					(413,924)	661,595	247,671	4,040,797
					74,368,630	21,010,459	95,379,089	40,882,731
					\$ 73,954,706	\$ 21,672,054	\$ 95,626,760	\$ 44,923,528

See accompanying notes.

CITY OF ROLLA, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2011

	General Fund	Street Fund	Recreation Center Fund	Park Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 609,184	\$ 29,212	\$ 2,926,496	\$ 23,080	\$ 886	\$ 272,646	\$ 124,431	\$ 3,985,935
Taxes receivable, net	995,613	651,049	282,053	7,769	-	-	-	1,936,484
Other accounts receivable	29,633	70,649	1,260	-	19,153	-	-	120,695
Court fines receivable, net	46,738	-	-	-	-	-	-	46,738
Intergovernmental receivable	195,021	72,120	-	-	12,502	-	-	279,643
Inventory	-	-	-	-	36,035	-	-	36,035
Prepaid expenses	286,790	41,293	46,705	22,412	5,070	-	-	402,270
Special assessments receivable	190,743	-	-	-	-	-	-	190,743
Restricted cash and cash equivalents	417,635	-	60,523	-	-	-	-	478,158
TOTAL ASSETS	\$ 2,771,357	\$ 864,323	\$ 3,317,037	\$ 53,261	\$ 73,646	\$ 272,646	\$ 124,431	\$ 7,476,701
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 223,717	\$ 383,088	\$ 54,144	\$ 31,028	\$ 7,629	\$ -	\$ -	\$ 699,606
Accrued expenses	214,624	29,810	29,934	17,598	3,592	-	-	295,558
Police evidence payable	132,097	-	-	-	-	-	-	132,097
Court bonds payable	4,230	-	-	-	-	-	-	4,230
Refundable permits	32,900	-	-	-	-	-	-	32,900
Deferred revenue	115,236	6,206	-	4,635	-	-	-	126,077
TOTAL LIABILITIES	722,804	419,104	84,078	53,261	11,221	-	-	1,290,468

See accompanying notes.

CITY OF ROLLA, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2011

	General Fund	Street Fund	Recreation Center Fund	Park Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	Total Governmental Funds
Fund Balances								
Nonspendable:								
Inventory	-	-	-	-	36,035	-	-	36,035
Prepaid expenses	286,790	41,293	46,705	22,412	5,070	-	-	402,270
Restricted for:								
Police	145,530	-	-	-	-	-	-	145,530
DNR project	102,878	-	60,523	-	-	-	-	163,401
Committed to:								
Depreciation and replacement	-	-	2,840,860	-	-	-	-	2,840,860
Cemetery	-	-	-	-	-	200,000	-	200,000
Assigned to:								
Risk management	497,607	33,111	40,473	22,448	3,766	-	-	597,405
Health insurance	460,594	58,021	20,234	19,746	3,587	-	-	562,182
Street	-	312,794	-	-	-	-	-	312,794
Recreation	-	-	224,164	-	-	-	-	224,164
Airport	-	-	-	-	13,967	-	-	13,967
Cemetery	-	-	-	-	-	72,646	-	72,646
Park land reserve	-	-	-	-	-	-	124,431	124,431
Unassigned	555,154	-	-	(64,606)	-	-	-	490,548
TOTAL FUND BALANCES	2,048,553	445,219	3,232,959	-	62,425	272,646	124,431	6,186,233
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,771,357	\$ 864,323	\$ 3,317,037	\$ 53,261	\$ 73,646	\$ 272,646	\$ 124,431	\$ 7,476,701

See accompanying notes.

CITY OF ROLLA, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET ASSETS
 September 30, 2011

Fund balance - total governmental funds	\$ 6,186,233
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	121,582,576
Less accumulated depreciation	<u>(42,245,100)</u>
	79,337,476
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(57,649)
Adjustment of deferred revenue	126,077
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(11,635,433)
Unamortized debt issuance costs	71,808
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the statement of net assets	<u>(73,806)</u>
Net assets of governmental activities	<u><u>\$ 73,954,706</u></u>

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended September 30, 2011

	General Fund	Street Fund	Recreation Center Fund	Park Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	Total Governmental Funds
REVENUES								
Taxes	\$ 7,473,654	\$ 4,275,228	\$ 1,875,554	\$ 221,493	\$ -	\$ -	\$ -	\$ 13,845,929
Licenses and permits	150,274	-	-	-	-	-	-	150,274
Intergovernmental revenues	1,766,418	79,177	-	-	28,057	-	-	1,873,652
Charges for services	49,520	298,650	1,196,411	113,905	271,652	15,500	-	1,945,638
Fines and forfeitures	198,588	-	-	-	-	-	-	198,588
Interest income	49,893	5,074	79,038	2,419	26	6,588	707	143,745
Miscellaneous	69,345	26,784	11,985	8,447	2,688	-	-	119,249
TOTAL REVENUES	9,757,692	4,684,913	3,162,988	346,264	302,423	22,088	707	18,277,075
EXPENDITURES								
Current								
Administrative	953,447	-	-	-	-	-	-	953,447
Administrator	366,011	-	-	-	-	-	-	366,011
Finance	453,746	-	-	-	-	-	-	453,746
Legal services	63,796	-	-	-	-	-	-	63,796
City court	103,152	-	-	-	-	-	-	103,152
911 telecommunications	856,344	-	-	-	-	-	-	856,344
Animal shelter	161,267	-	-	-	-	-	-	161,267
Police	3,139,588	-	-	-	-	-	-	3,139,588
Fire	3,318,262	-	-	-	-	-	-	3,318,262
Building maintenance	155,695	-	-	-	-	-	-	155,695
Engineering	726,061	-	-	-	-	-	-	726,061
Community development	443,979	-	-	-	-	-	-	443,979
Library	178,069	-	-	-	-	-	-	178,069
Economic development	227,055	-	-	-	-	-	-	227,055
Public works	-	4,010,642	-	-	-	-	-	4,010,642
Recreation Center	-	-	1,878,181	-	-	-	-	1,878,181
Park	-	-	-	772,156	-	-	-	772,156
Airport	-	-	-	-	375,760	-	-	375,760
Debt Service								
Principal and interest	-	628,719	1,361,427	-	-	-	-	1,990,146
TOTAL EXPENDITURES	11,146,472	4,639,361	3,239,608	772,156	375,760	-	-	20,173,357

See accompanying notes.

CITY OF ROLLA, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
 Year Ended September 30, 2011

	General Fund	Street Fund	Recreation Center Fund	Park Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	Total Governmental Funds
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(1,388,780)	45,552	(76,620)	(425,892)	(73,337)	22,088	707	(1,896,282)
OTHER FINANCING SOURCES (USES)								
Lease proceeds	675,000	-	-	-	-	-	-	675,000
Operating transfers in (out)	448,906	(356,800)	(116,930)	403,832	100,348	(6,022)	-	473,334
TOTAL OTHER FINANCING SOURCES (USES)	1,123,906	(356,800)	(116,930)	403,832	100,348	(6,022)	-	1,148,334
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(264,874)	(311,248)	(193,550)	(22,060)	27,011	16,066	707	(747,948)
FUND BALANCE, October 1	2,313,427	756,467	3,426,509	22,060	35,414	256,580	123,724	6,934,181
FUND BALANCE, September 30	\$ 2,048,553	\$ 445,219	\$ 3,232,959	\$ -	\$ 62,425	\$ 272,646	\$ 124,431	\$ 6,186,233

See accompanying notes.

CITY OF ROLLA, MISSOURI
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended September 30, 2011

Net change in fund balances - total governmental funds \$ (747,948)

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

Governmental funds report capital outlays as expenditures. However, in
 the statement of activities the cost of these assets is allocated over their
 estimated useful lives on a straight line basis and reported as depreciation
 expense. The following is the detail of the amount by which depreciation
 exceeded capital outlays for the year.

Capital outlay	2,507,522
Depreciation	(3,485,538)
Disposal of capital assets, net	(25,928)
	<u>(1,003,944)</u>

Some revenues reported in the governmental funds represent current financial
 resources and were recognized in the statement of activities when earned 9,382

The issuance of long-term debt provides current financial resources to governmental
 funds. The repayment of the principal of long-term debt is a use of current
 financial resources of governmental funds. Also, governmental funds report
 the effect of issuance costs and similar items when debt is issued, whereas these
 amounts are deferred and amortized in the statement of activities. In the statement
 of activities, interest is accrued on outstanding debt whereas in the governmental
 funds, an interest expenditure is reported when due. The following is the detail of
 the net effect of these differences.

Lease proceeds	(675,000)
Repayment of principal on bonds, leases and loans	2,254,726
Issuance cost amortization	(13,927)
Change in accrued interest payable	(16)
	<u>1,565,783</u>

Some expenditures reported in the governmental funds represent the use of current
 financial resources and were recognized in the statement of activities when incurred. (257,602)

Internal service funds are used by management to charge the costs of various
 activities internally to individual funds. The net expense of certain activities
 of the Internal Service Fund is reported with governmental activities. 20,405

Change in net assets of governmental activities \$ (413,924)

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
September 30, 2011

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 567,819	\$ 2,673,843	\$ 3,241,662	\$ -
Utilities receivable, net	353,651	284,116	637,767	-
Other accounts receivable	-	-	-	71,874
Accrued interest receivable	27,576	-	27,576	-
Prepaid expenses	25,235	50,261	75,496	-
TOTAL CURRENT ASSETS	974,281	3,008,220	3,982,501	71,874
Restricted Assets				
Cash and cash equivalents	885,002	-	885,002	-
Investments	2,381,669	-	2,381,669	-
TOTAL RESTRICTED ASSETS	3,266,671	-	3,266,671	-
Deferred Bond Issuance Costs	93,412	-	93,412	-
Property, Plant and Equipment				
Land	309,236	670,663	979,899	-
Construction in progress	1,061,947	-	1,061,947	-
Buildings	591,622	826,220	1,417,842	-
Sewer treatment plant	14,929,954	-	14,929,954	-
Sewer mains and lines	12,778,178	-	12,778,178	-
Manhole covers	1,459,701	-	1,459,701	-
Major moveable equipment	1,492,958	3,107,669	4,600,627	-
	32,623,596	4,604,552	37,228,148	-
Less accumulated depreciation	(10,259,593)	(2,745,638)	(13,005,231)	-
TOTAL PROPERTY, PLANT AND EQUIPMENT	22,364,003	1,858,914	24,222,917	-
TOTAL ASSETS	26,698,367	4,867,134	31,565,501	71,874

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS (continued)
September 30, 2011

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	93,990	104,882	198,872	145,680
Accrued expenses	22,769	46,344	69,113	-
Accrued interest payable	85,517	-	85,517	-
Arbitrage payable	84,425	-	84,425	-
Current maturities of long-term debt	482,337	-	482,337	-
TOTAL CURRENT LIABILITIES	769,038	151,226	920,264	145,680
Long-Term Liabilities				
Capital leases payable	1,189,527	-	1,189,527	-
Revenue bonds payable	5,416,062	-	5,416,062	-
Payable to other governments	2,225,098	-	2,225,098	-
Compensated absences payable	46,757	95,739	142,496	-
TOTAL LONG-TERM LIABILITIES	8,877,444	95,739	8,973,183	-
TOTAL LIABILITIES	9,646,482	246,965	9,893,447	145,680
Net Assets (Deficit)				
Invested in capital assets, net of related debt	15,276,077	1,858,914	17,134,991	-
Restricted	696,455	-	696,455	-
Unrestricted	1,079,353	2,761,255	3,840,608	(73,806)
TOTAL NET ASSETS (DEFICIT)	\$ 17,051,885	\$ 4,620,169	\$ 21,672,054	\$ (73,806)

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
Year Ended September 30, 2011

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
OPERATING REVENUES				
Charges for services	\$ 2,644,271	\$ 3,087,582	\$ 5,731,853	\$ -
Charges to other departments	-	-	-	1,583,270
Contributions - employees	-	-	-	555,932
TOTAL OPERATING REVENUES	2,644,271	3,087,582	5,731,853	2,139,202
OPERATING EXPENSES				
Personnel services	622,767	1,164,988	1,787,755	-
Contractual services	163,913	48,603	212,516	-
Repairs and maintenance	65,428	115,748	181,176	-
Supplies	133,284	366,214	499,498	-
Utilities	251,861	33,891	285,752	-
Insurance claims and expenses	35,023	73,622	108,645	2,118,797
Landfill	-	640,521	640,521	-
Depreciation	574,180	225,177	799,357	-
Miscellaneous	2,776	12,867	15,643	-
TOTAL OPERATING EXPENSES	1,849,232	2,681,631	4,530,863	2,118,797
OPERATING INCOME	795,039	405,951	1,200,990	20,405
NONOPERATING REVENUES (EXPENSES)				
Interest income	229,810	46,713	276,523	-
Other revenue	5,138	46,250	51,388	-
Interest expense	(387,078)	-	(387,078)	-
Loss on sale of equipment	-	(6,894)	(6,894)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(152,130)	86,069	(66,061)	-
INCOME BEFORE OPERATING TRANSFERS	642,909	492,020	1,134,929	20,405
OPERATING TRANSFERS (OUT)	(225,889)	(247,445)	(473,334)	-
NET INCOME	417,020	244,575	661,595	20,405
NET ASSETS, October 1	16,634,865	4,375,594	21,010,459	(94,211)
NET ASSETS, September 30	\$ 17,051,885	\$ 4,620,169	\$ 21,672,054	\$ (73,806)

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2011

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,574,669	\$ 3,099,547	\$ 5,674,216	\$ 2,079,294
Cash paid to suppliers	(624,773)	(1,280,007)	(1,904,780)	(2,079,294)
Cash paid to employees	(618,374)	(1,160,126)	(1,778,500)	-
Other cash received for nonoperating revenues	5,138	46,250	51,388	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,336,660	705,664	2,042,324	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due (to) other governments	(196,000)	-	(196,000)	-
Operating transfer (out)	(225,889)	(247,445)	(473,334)	-
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(421,889)	(247,445)	(669,334)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of fixed assets	(743,686)	(193,413)	(937,099)	-
Payment of bond principal	(390,000)	-	(390,000)	-
Payment of interest expense	(385,151)	-	(385,151)	-
Payment of principal on capital leases	(78,096)	-	(78,096)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,596,933)	(193,413)	(1,790,346)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	227,386	46,713	274,099	-
Maturity of investments	165,185	-	165,185	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	392,571	46,713	439,284	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(289,591)	311,519	21,928	-
CASH AND CASH EQUIVALENTS, Beginning of year	1,742,412	2,362,324	4,104,736	-
CASH AND CASH EQUIVALENTS, End of year	\$ 1,452,821	\$ 2,673,843	\$ 4,126,664	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 795,039	\$ 405,951	\$ 1,200,990	\$ 20,405
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	574,180	225,177	799,357	-
(Increase) decrease in:				
Utilities receivable	(69,602)	11,965	(57,637)	-
Other accounts receivable	-	-	-	(59,908)
Prepaid expenses	1,377	6,607	7,984	-
Increase (decrease) in:				
Accounts payable	26,618	4,852	31,470	39,503
Accrued expenses	1,976	3,635	5,611	-
Compensated absences	2,417	1,227	3,644	-
Arbitrage payable	(483)	-	(483)	-
Other cash received for nonoperating revenues	5,138	46,250	51,388	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,336,660	\$ 705,664	\$ 2,042,324	\$ -

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rolla, Missouri, (the City) was incorporated on January 25, 1861, under the provisions of the State of Missouri. The City operates under a City Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, culture-recreation, public improvements, planning, and general administrative services. Other services include sewer operations and sanitation services. Rolla Municipal Utilities provides water and electric services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. In accordance with GASB Section 1600.131 (Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting), the proprietary funds and similar trust funds apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, except those pronouncements that conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but 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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a financial burden on the primary government. In addition, component units can be 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.

The City is a primary government, which is governed by an elected board. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that the entity described in the following paragraph meets the above criteria and therefore, has been included as a component unit in the City's basic financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Component Unit

Rolla Municipal Utilities was established by City Ordinance in 1944. Rolla Municipal Utilities is operated by a Board of Public Works, the members of which are appointed by the Mayor and approved by the City Council. After consideration of the financial benefits and other criteria, Rolla Municipal Utilities has been included as a component unit in the City's reporting entity. Rolla Municipal Utilities' audited component unit financial statements for the year ended September 30, 2011, are available in their entirety at Rolla Municipal Utilities.

After due consideration of each criteria, especially the substance of the City's relationship with organizations/entities and using professional judgment, an organization was excluded from the City's financial statements because significant financial accountability does not exist. This organization together with the reasons for its exclusion from the City's reporting entity is as follows:

The Phelps County Landfill Board is an independent organization that operates a county wide landfill. The board members are representatives of the cities within Phelps County, Missouri, and a representative of the Phelps County Commission. The City provides daily managerial and accounting services for a monthly fee. The Phelps County Landfill Board maintains oversight responsibility and holds title to its assets. The City does not have budgetary authority, has no control over selection of Board members, and is not responsible for funding deficits. The landfill has been closed and is no longer accepting refuse. However, the Phelps County Landfill Board operates a transfer station for the disposal of area solid waste.

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Assets and the Statement of Activities) and fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements display information about the government as a whole. Interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Assets, both the governmental and business-type activities are consolidated and presented on the full accrual, economic resources basis of accounting. The consolidated presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides information to improve analysis and comparability.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

Separate fund financial statements report information on the City's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds.

Street Fund: The Street Fund of the City is used to account for resources restricted, committed, or assigned for the street department and certain other capital improvements within the City.

Recreation Center Fund: The Recreation Center Fund is used to account for tax revenues and charges for services that are restricted, committed, or assigned for the City's Recreation Center.

Park Fund: The Park Fund is used to account for tax revenues and charges for services that are restricted, committed, or assigned for the City's Park.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Airport Fund: The Airport Fund is used to account for charges for services and expenditures that are restricted, committed, or assigned for the City Airport.

Cemetery Fund: The Cemetery Fund is used to account for resources that are restricted, committed, or assigned for the City Cemetery.

Park Land Reserve Fund: The Park Land Reserve Fund is used to account for proceeds that are restricted, committed, or assigned from the sale of park land.

The City reports the following major proprietary funds:

Sewer Fund: The Sewer Fund accounts for the activities and capital improvements of the City's sewer system.

Environmental Services Fund: The Environmental Services Fund accounts for the activities and capital improvements of the City's sanitation department and recycling center.

Internal Service Fund: The Internal Service Fund accounts for the costs of self-insurance funds on a cost-reimbursement basis.

Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$5,000 or greater and an estimated useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. In conformity with GASB 34, infrastructure, such as streets and storm sewers, completed in the current year has been capitalized. Additionally, the city elected to depreciate its infrastructure assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Primary Government

Major moveable equipment	4 to 10 years
Sewer mains and lines	100 years
Sewer plant	40 years
Manhole additions	100 years
Buildings and improvements	10 to 30 years
Streets	50 years
Wearing surfaces	7 to 13 years
Inlets	100 years
Sidewalks	50 years
Storm sewers	50 to 100 years

Rolla Municipal Utilities

Electric Plant	
General electric plant	20 years
Transportation equipment	6 2/3 years
Power operated equipment	6 2/3 years
Stores, laboratory tools, communication and miscellaneous equipment	10 years
Water plant	
General water plant	33 1/3 years
Pumping plant	10 years
Chlorination and fluoridation equipment	20 years
Laboratory and general equipment	10 years

Expenditures for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Primary Government

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventory usage is recognized on the consumption method.

Rolla Municipal Utilities

Inventories are state at the lower of cost or market. Cost is determined by the average cost method.

Compensated Absences

Primary Government

Annual vacation leave is earned by all full-time employees. Upon termination, employees are entitled to receive compensation for up to 6 weeks unused accrued vacation leave.

Effective October 1, 1990, the City adopted a sick leave policy whereby full-time employees with five years or more employment with the City can accumulate up to 18 weeks sick leave. Upon retirement or resignation in good faith, full-time employees are entitled to one-sixth (1/6) regular pay for the first nine weeks unused sick leave and one-third (1/3) regular pay for any unused sick leave above nine weeks to a maximum of 18 weeks in total.

Liabilities for compensated absences are determined at the end of the year based on current salary rates. Compensated absences are reported in the Statement of Net Assets for both the governmental and business-type activities. The accumulated annual leave of the Enterprise Funds is included as an accrued liability of such funds.

Liability for sick leave was recognized during the current year based on the following criteria:

- 1) The City's obligation relating to sick leave is attributable to employees' services already rendered.
- 2) The obligation relates to rights that vest or accumulate.
- 3) The amount can be reasonably estimated based on current pay rates.

Compensated absences are recorded as a liability in the Statement of Net Assets.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rolla Municipal Utilities

Annual vacation leave is earned by all full-time employees. Upon termination, employees are entitled to receive compensation for unused accrued vacation leave up to a maximum of 240 hours. Liabilities for compensated absences are determined at the end of the year based on current salary rates.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with FASB Accounting Standards Codification (ASC) Topic No. 835-20-30 – *The Amount Interest Cost to be Capitalized in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

Deposits and Investments

Primary Government

For financial statement purposes, the City considers all accounts subject to withdrawal by check or on demand to be cash equivalents. All other deposits and certificates of deposit are considered to be investments.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rolla Municipal Utilities

For purposes of the statement of cash flow, Rolla Municipal Utilities considers all accounts subject to withdrawal by check or on demand to be cash equivalents. All other deposits and certificates of deposit are considered to be investments. Investments are stated at fair value. Fair value for investments are determined by closing market prices at year-end as reported by custodian.

Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City first applies restricted net assets.

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance – This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Council removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

City Council has formally adopted a minimum fund balance policy of 25% (three months) of operating expenditures in the General Fund.

Post-Employment Health Care Benefits

Retiree Benefits – The City offers post-employment health care benefits to all eligible employees who retire from the City. Retirees are eligible until attainment of Medicare Eligibility Age. Retirees pay a rate less than 100% of the cost, determined by City Council as the City is self-insured.

New Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. The City adopted GASB 54 for the current financial statements and has disclosed information about the fund balance reporting.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE B – CASH AND CASH EQUIVALENTS

Primary Government

State statutes require that the City’s deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2011, all bank balances on deposit are entirely insured or collateralized.

Rolla Municipal Utilities

State statutes require that the Utility’s deposits be insured or collateralized in the name of the Utility by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2011, all bank balances on deposit are entirely insured or collateralized with securities.

NOTE C – INVESTMENTS

Primary Government

Investments of the City as of September 30, 2011, are as follows:

Investment Type	Maturity	Amount
Guaranteed Investment Contracts	1/1/2019 - 7/1/2021	\$ 2,378,632
U.S. Treasury Notes in State and Local Government Series (SLGS)	7/1/2020	3,037
		<u>\$ 2,381,669</u>

Guaranteed Investment Contracts

The City has Guaranteed Investment Contracts on deposit with United Missouri Bank. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in trust accounts for the 1996E and 2000A Combined Waterworks and Sewerage System Revenue Bonds reserve accounts. The City’s funds are invested under the State Revolving Fund Program and are required to be collateralized in the amount of 105% of the value of the investment.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE C – INVESTMENTS (continued)

U.S. Treasury Notes (SLGS)

The City has U.S. Treasury Notes (SLGS) Funds on deposit with United Missouri Bank. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in a trust account for the 1996E State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds reserve accounts.

Interest Rate Risk

The City limits its exposure to interest rate risk. The City restricts its investments to those maturing in 5 years or less.

Rolla Municipal Utilities

Investments of the Utility as of September 30, 2011, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Fidelity Treasury Fund	N/A	<u>\$ 1,735,993</u>

Credit Risk

Rolla Municipal Utilities has funds invested in the Fidelity Treasury Fund, which is rated Aaa by Moodys. These deposits are held in a trust account with United Missouri Bank for the 2008A Missouri Association of Municipal Utilities Lease Program.

Interest Rate Risk

The Utilities limits its investments to those with maturities of less than 5 years to reduce interest rate risk.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable is presented net of an allowance for doubtful accounts as follows:

Primary Government

	Accounts Receivable	Allowance	Net Accounts Receivable
TAXES RECEIVABLE			
General Fund	\$ 1,000,663	\$ 5,050	\$ 995,613
Street Fund	651,049	-	651,049
Recreation Center Fund	282,053	-	282,053
Park Fund	7,769	-	7,769
	<u>\$ 1,941,534</u>	<u>\$ 5,050</u>	<u>\$ 1,936,484</u>
UTILITIES RECEIVABLE			
Sewer Fund	\$ 359,851	\$ 6,200	\$ 353,651
Environmental Services Fund	284,116	-	284,116
	<u>\$ 643,967</u>	<u>\$ 6,200</u>	<u>\$ 637,767</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 124,333</u>	<u>\$ 77,595</u>	<u>\$ 46,738</u>

Rolla Municipal Utilities

	Accounts Receivable	Allowance	Net Accounts Receivable
Accounts Receivable			
Utilities receivable	\$ 947,291	\$ 60,000	\$ 887,291
Refundable deposits	8,220	-	8,220
	<u>\$ 955,511</u>	<u>\$ 60,000</u>	<u>\$ 895,511</u>
Other Miscellaneous Receivables	<u>\$ 5,887</u>	<u>\$ -</u>	<u>\$ 5,887</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE E – RESTRICTED ASSETS

Cash, investments and net assets have been restricted in the following funds and activities as follows:

	Restricted Cash and Investments	Restricted Net Assets
GENERAL FUND		
Court bonds	\$ 4,230	\$ -
Refundable permits	32,900	-
Police evidence	132,097	-
Seizures and forfeitures	145,530	145,530
DNR energy savings project loan escrow account	102,878	102,878
	<u>\$ 417,635</u>	<u>\$ 248,408</u>
RECREATION CENTER FUND		
DNR energy savings project loan escrow account	<u>\$ 60,523</u>	<u>\$ 60,523</u>
SEWER FUND		
1996E Revenue Bonds		
Reserve account	\$ 181,300	\$ -
Rebate account	3,563	-
Debt service reserve	3,686	3,686
Principal and interest	32,287	32,287
2000A Revenue Bonds		
Reserve account	2,043,798	-
Rebate account	61,706	-
Debt service reserve	3,373	3,373
Principal and interest	117,225	117,225
2006B Revenue Bonds		
Rebate account	19,156	-
Principal and interest	38,846	38,846
Depreciation and replacement	501,038	501,038
DNR energy savings project loan escrow account	260,693	-
	<u>\$ 3,266,671</u>	<u>\$ 696,455</u>

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt of the City of Rolla consists of ten capital lease purchase agreements, a loan obligation, two general obligation bonds payable, post-employment benefit payable, post employment pension payable, and compensated absences payable.

Capital Leases

On April 9, 2004, the City entered into a lease purchase agreement to finance the purchase of a new fuel underground storage tank for the airport. The agreement requires annual lease payments of \$29,001, including interest at 5.25%.

On March 21, 2005, the City entered into a lease purchase agreement to finance City Hall improvements. The agreement requires annual payments of \$187,621, including interest at 4.3%.

On March 1, 2007, the City entered into a lease purchase agreement to finance the purchase of fire equipment. The agreement requires annual lease payments of \$18,484, including interest at 4.425%.

On May 1, 2007, the City entered into a lease purchase agreement to finance the purchase of a new fire truck. The agreement requires annual lease payments of \$65,120, including interest at 6.371%.

On June 11, 2007, the City entered into a lease purchase agreement to finance the purchase of two copy machines. The agreement requires annual lease payments of \$3,385, including interest at 11.684%.

On September 5, 2007, the City entered into a lease purchase agreement to finance the purchase of forest service land. This is a non-interest bearing lease maturing January 1, 2027. In accordance with APB No. 21, an effective interest rate of 4% was calculated based on the City's borrowing abilities. The lease requires annual payments of \$25,550, including effective interest of 4.0%.

On December 19, 2007, the City entered into a lease purchase agreement to finance the purchase of two dump trucks and a loader. The agreement requires annual lease payments of \$64,013, including interest at 3.543%.

On November 16, 2009, the City entered into a lease purchase agreement to finance the purchase of a dump truck. The agreement requires annual lease payments of \$28,261, which includes interest at 3.0%.

On July 12, 2010, the City entered into a lease purchase agreement to finance an energy savings project. The agreement requires semi-annual lease payments of \$37,168, which includes interest at 4.0%.

On February 15, 2011, the City entered into a lease purchase agreement to finance the purchase of a new fire truck. The agreement requires annual lease payments of \$76,794, which includes interest at 2.99%.

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

These lease agreements provide for cancellation of the leases on the annual renewal dates if the City should fail to appropriate funds. However, the City does not foresee exercising its options to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with FASB ASC Topic No. 840-30-30 - *Accounting for Capital Leases*.

The total annual minimum lease payments required at September 30, 2011, are as follows:

Year Ended September 30,	Under- Ground Storage Tank	DNR Energy Efficiency Project	City Hall Improvements	Fire Equipment	Fire Truck
2012	\$ 29,001	\$ 74,336	\$ 187,621	\$ 18,484	\$ 76,794
2013	-	74,336	187,621	-	76,794
2014	-	74,336	187,621	-	76,794
2015	-	74,336	187,621	-	76,794
2016	-	74,336	187,621	-	76,794
2017	-	74,336	187,621	-	76,794
2018	-	74,336	187,621	-	76,794
2019	-	74,336	187,621	-	76,794
2020	-	74,336	187,621	-	76,794
2021	-	74,336	187,621	-	-
2022	-	74,336	187,621	-	-
2023	-	74,336	187,621	-	-
2024	-	74,336	187,621	-	-
2025	-	74,336	93,811	-	-
2026	-	-	-	-	-
2027	-	-	-	-	-
TOTAL MINIMUM LEASE PAYMENTS	29,001	1,040,704	2,532,884	18,484	691,146
LESS AMOUNT REPRESENTING INTEREST	(1,439)	(252,279)	(625,900)	(740)	(92,941)
PRINCIPAL BALANCE, SEPTEMBER 30, 2011	<u>\$ 27,562</u>	<u>\$ 788,425</u>	<u>\$ 1,906,984</u>	<u>\$ 17,744</u>	<u>\$ 598,205</u>

(Table continued on next page)

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

Year Ended September 30,	Fire Truck	Copy Machines	Forest Land	Dumptrucks and Loader	Dumptruck	Total
2012	\$ 65,120	\$ 3,385	\$ 25,550	\$ 64,013	\$ 28,261	\$ 572,565
2013	65,120	-	25,550	-	28,261	457,682
2014	65,120	-	25,550	-	28,261	457,682
2015	65,120	-	25,550	-	-	429,421
2016	65,120	-	25,550	-	-	429,421
2017	65,120	-	25,550	-	-	429,421
2018	65,120	-	25,550	-	-	429,421
2019	-	-	25,550	-	-	364,301
2020	-	-	25,550	-	-	364,301
2021	-	-	25,550	-	-	287,507
2022	-	-	25,550	-	-	287,507
2023	-	-	25,550	-	-	287,507
2024	-	-	25,550	-	-	287,507
2025	-	-	25,550	-	-	193,697
2026	-	-	25,550	-	-	25,550
2027	-	-	25,550	-	-	25,550
TOTAL MINIMUM LEASE PAYMENTS	455,840	3,385	408,800	64,013	84,783	5,329,040
LESS AMOUNT REPRESENTING INTEREST	(61,934)	(189)	(111,084)	(2,225)	(5,500)	(1,154,231)
PRINCIPAL BALANCE, SEPTEMBER 30, 2011	<u>\$ 393,906</u>	<u>\$ 3,196</u>	<u>\$ 297,716</u>	<u>\$ 61,788</u>	<u>\$ 79,283</u>	<u>\$ 4,174,809</u>

Loan Obligation

On November 6, 2008, the City entered into a loan agreement with the Missouri Department of Natural Resources in the amount of \$26,365 to finance LED traffic lights. The agreement requires semi-annual payments of \$3,263, including interest of 3.75%.

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
2012	<u>\$ 3,203</u>	<u>\$ 60</u>	<u>\$ 3,263</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

General Obligation Bonds

On March 1, 2004, the City issued \$4,880,000 in General Obligation Crossover Refunding Bonds due in varying annual installments through March 1, 2012, with interest at 2.00% to 3.68% due on March 1 and September 1 of each year. Bonds are not subject to redemption prior to maturity. \$ 1,330,000

Principal and interest payments are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 1,330,000</u>	<u>\$ 18,620</u>	<u>\$ 1,348,620</u>

On May 1, 2004, the City issued \$7,000,000 in General Obligation Bonds due in varying annual installments through March 1, 2019, with interest at 2.75% to 4.375% due on March 1 and September 1 of each year. \$ 4,390,000

Principal and interest payments are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 450,000	\$ 171,181	\$ 621,181
2013	465,000	152,881	617,881
2014	500,000	134,081	634,081
2015	530,000	113,982	643,982
2016	560,000	92,182	652,182
2017	595,000	68,709	663,709
2018	625,000	42,766	667,766
2019	665,000	14,547	679,547
	<u>\$ 4,390,000</u>	<u>\$ 790,329</u>	<u>\$ 5,180,329</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

The following table is a summary of the changes in the Long-Term Debt – Governmental Activities:

	Balance September 30, 2010	Additions	Retirements	Balance September 30, 2011
Capital Lease Obligations	\$ 3,918,389	\$ 675,000	\$ 418,580	\$ 4,174,809
Loan Obligations	87,204	-	84,001	3,203
General Obligation Bonds	7,460,000	-	1,740,000	5,720,000
Premium on Bonds	50,915	-	12,145	38,770
	7,510,915	-	1,752,145	5,758,770
Post-employment Benefit Liability	474,200	288,900	190,900	572,200
Post-employment Pension Liability	-	122,410	-	122,410
Compensated Absences	966,849	37,192	-	1,004,041
TOTAL	<u>\$ 12,957,557</u>	<u>\$ 1,123,502</u>	<u>\$ 2,445,626</u>	<u>\$ 11,635,433</u>

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

Primary Government

Long-term debt in the Sewer Fund consists of a lease purchase agreement, the 1996E and 2000A Wastewater System Revenue Bonds, and the 2006B Sewerage System Revenue Bonds.

Capital Lease

On July 12, 2010, the City entered into a lease purchase agreement to finance an energy savings project. The agreement requires semi-annual lease payments of \$59,298, which includes interest at 4.0%.

The lease purchase agreements provide for cancellation of the leases on the annual renewal date if the City should fail to appropriate funds. However, the City does not foresee exercising its right to cancel. Therefore, the leases are accounted for as noncancellable capital leases in accordance with FASB ASC Topic No. 840-30-30 - *Accounting for Capital Leases*.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

The total annual minimum lease payments required at September 30, 2011, are as follows:

Year Ended September, 30	DNR Energy Efficiency Project
2012	\$ 118,596
2013	118,595
2014	118,596
2015	118,595
2016	118,596
2017	118,595
2018	118,596
2019	118,595
2020	118,596
2021	118,595
2022	118,596
2023	118,595
2024	118,596
2025	118,595
TOTAL MINIMUM LEASE PAYMENTS	1,660,337
LESS AMOUNT REPRESENTING INTEREST	<u>(402,473)</u>
PRINCIPAL BALANCE SEPTEMBER 30, 2011	<u><u>\$ 1,257,864</u></u>

1996E Wastewater System Revenue Bonds

In December 1996, the City entered into an agreement with the Missouri Leveraged State Water Pollution Control Revolving Fund Program to sell \$616,000 in Wastewater System Revenue Bonds, Series 1996E. The bonds bear interest at 3.8% to 6.0%. The interest paid is offset by an interest subsidy from the State of Missouri's 50% bond reserves, which earn interest at 5.20%. Interest payments are due semi-annually on January 1 and July 1 of each year with annual principal payments due January 1 of each year. The bonds also require an administrative fee payable annually on January 1 of each year at .714% of the outstanding principal balance.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

The annual debt service requirements to amortize the principal on the 1996E revenue bonds outstanding at September 30, 2011, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2012	\$ 39,000	\$ 12,646	\$ 1,849	\$ 53,495
2013	40,000	10,552	1,571	52,123
2014	40,000	8,432	1,285	49,717
2015	45,000	6,180	1,000	52,180
2016	45,000	3,806	678	49,484
2017	50,000	1,313	357	51,670
	<u>\$ 259,000</u>	<u>\$ 42,929</u>	<u>\$ 6,740</u>	<u>\$ 308,669</u>

2000A Wastewater System Revenue Bonds

In March 2000, the City entered into an agreement with the Missouri Leveraged State Water Pollution Control Revolving Fund Program to sell \$5,000,000 in Wastewater System Revenue Bonds, Series 2000A. The bonds bear interest at 4.6% to 5.75%. The interest paid is offset by an interest subsidy from the State of Missouri's 50% bond reserves, which earn interest at 5.40%. Interest payments are due semi-annually on January 1 and July 1 of each year with annual principal payments due July 1 of each year. The bonds also require an administrative fee payable annually on January 1 of each year at .714% of the outstanding principal balance.

The annual debt service requirements to amortize the principal on the 2000A revenue bonds outstanding at September 30, 2011, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2012	\$ 260,000	\$ 162,358	\$ 20,813	\$ 443,171
2013	275,000	148,838	18,957	442,795
2014	285,000	134,263	16,993	436,256
2015	305,000	117,875	14,958	437,833
2016	320,000	100,337	12,781	433,118
2017	340,000	82,737	10,496	433,233
2018	355,000	63,867	8,068	426,935
2019	375,000	43,987	5,534	424,521
2020	400,000	22,800	2,856	425,656
	<u>\$ 2,915,000</u>	<u>\$ 877,062</u>	<u>\$ 111,456</u>	<u>\$ 3,903,518</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

2006B Sewerage System Revenue Bonds

In July 2007, the City entered into an agreement with the Missouri Leveraged State Water Pollution Control Revolving Fund Program to sell \$3,005,000 in Sewerage System Revenue Bonds, Series 2006B. The bonds bear interest at 4.0% to 5.0%. The interest paid is offset by an interest subsidy from the State of Missouri's 50% bond reserves, which earn interest at 4.125%. Interest payments are due semi-annually on January 1 and July 1 each year with annual principal payments due July 1 of each year. The bonds also require an administrative fee payable annually on January 1 of each year at .515% of the outstanding principal balance.

The annual debt service requirements to amortize the principal on the 2006B revenue bonds outstanding at September 30, 2011, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2012	\$ 115,000	\$ 115,088	\$ 13,313	\$ 243,401
2013	120,000	110,488	12,721	243,209
2014	125,000	105,688	12,103	242,791
2015	130,000	100,688	11,459	242,147
2016	135,000	95,488	10,789	241,277
2017	140,000	90,088	10,094	240,182
2018	150,000	83,088	9,376	242,464
2019	155,000	77,087	8,601	240,688
2020	160,000	70,887	7,802	238,689
2021	165,000	64,487	6,978	236,465
2022	175,000	56,237	6,129	237,366
2023	185,000	47,487	5,227	237,714
2024	195,000	38,237	4,275	237,512
2025	200,000	28,487	3,270	231,757
2026	215,000	18,487	2,240	235,727
2027	220,000	9,350	1,133	230,483
	<u>\$ 2,585,000</u>	<u>\$ 1,111,362</u>	<u>\$ 125,510</u>	<u>\$ 3,821,872</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

Changes in Long-Term Debt - Enterprise Funds

The following table is a summary of the changes in the Enterprise Fund long-term debt for the year ended September 30, 2011:

	Balance September 30, 2010	Additions	Retirements	Balance September 30, 2011
Capital Lease Obligations	\$ 1,335,960	\$ -	\$ 78,096	\$ 1,257,864
Revenue Bonds	6,149,000	-	390,000	5,759,000
Premium on bonds	75,800	-	4,738	71,062
	6,224,800	-	394,738	5,830,062
Compensated Absences	138,852	3,644	-	142,496
TOTAL	<u>\$ 7,699,612</u>	<u>\$ 3,644</u>	<u>\$ 472,834</u>	<u>\$ 7,230,422</u>

Rolla Municipal Utilities

Rolla Municipal Utilities entered into a lease purchase agreement during the year ended September 30, 2005, for construction of water towers and other improvements. The lease agreement calls for varying semi-annual principal payments through 2023 with interest at 3.55%. Current maturity of lease principal is \$110,000.

Rolla Municipal Utilities entered into a lease purchase agreement during the year ended September 30, 2009, for construction of electric power substation, purchase transmission lines and related equipment. The lease agreement calls for varying monthly principal payments through fiscal 2029 with interest at 3.885%. Current maturity of lease principal is \$587,000.

These lease purchase agreements provide for cancellation of the leases if the Utility should fail to appropriate funds on the annual renewal dates. However, the Utility does not foresee exercising its right to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with FASB ASC Topic No. 840-30-30 - *Accounting for Capital Leases*.

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

The total annual minimum lease payments required at September 30, 2011, are as follows:

Year Ended September, 30	Water Towers	Electric Substation	Total
2012	\$ 184,498	\$ 1,093,105	\$ 1,277,603
2013	189,197	1,094,748	1,283,945
2014	183,944	1,096,786	1,280,730
2015	188,356	1,097,895	1,286,251
2016	187,568	1,099,215	1,286,783
2017	186,278	1,100,423	1,286,701
2018	185,038	1,102,850	1,287,888
2019	183,414	1,104,251	1,287,665
2020	186,526	1,106,665	1,293,191
2021	184,292	1,108,862	1,293,154
2022	186,729	1,110,096	1,296,825
2023	193,624	1,113,137	1,306,761
2024	-	1,113,998	1,113,998
2025	-	1,116,565	1,116,565
2026	-	1,120,899	1,120,899
2027	-	1,122,842	1,122,842
2028	-	1,124,412	1,124,412
2029	-	283,085	283,085
TOTAL MINIMUM LEASE PAYMENTS	2,239,464	19,109,834	21,349,298
LESS AMOUNT REPRESENTING INTEREST	(499,464)	(5,084,834)	(5,584,298)
PRINCIPAL BALANCE SEPTEMBER 30, 2011	<u>\$ 1,740,000</u>	<u>\$ 14,025,000</u>	<u>\$ 15,765,000</u>

The following table is a summary of the changes in the Utility's long-term debt for the year ended September 30, 2011:

Leases Payable, October 1	\$ 16,440,000
Additions	-
Deletions	(675,000)
Leases Payable, September 30	<u>\$ 15,765,000</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

Primary Government

	Balance September 30, 2010	Additions	Deletions	Balance September 30, 2011
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 12,473,603	\$ 41,106	\$ -	\$ 12,514,709
Construction in progress	234,927	430,704	-	665,631
Total Non-depreciable Capital Assets	12,708,530	<u>\$ 471,810</u>	<u>\$ -</u>	13,180,340
Depreciable Capital Assets:				
Building and improvements	24,096,408	\$ 16,452	\$ 40,612	24,072,248
Machinery and equipment	9,140,926	832,310	322,788	9,650,448
Infrastructure	73,492,590	1,186,950	-	74,679,540
Total Depreciable Capital Assets	106,729,924	<u>\$ 2,035,712</u>	<u>\$ 363,400</u>	108,402,236
Less Accumulated Depreciation				
Buildings and improvements	8,646,440	\$ 941,017	\$ 29,097	9,558,360
Machinery and equipment	6,235,168	720,919	308,375	6,647,712
Infrastructure	24,215,426	1,823,602	-	26,039,028
Total Accumulated Depreciation	39,097,034	<u>\$ 3,485,538</u>	<u>\$ 337,472</u>	42,245,100
Total Depreciable Capital Assets, Net	<u>67,632,890</u>			<u>66,157,136</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 80,341,420</u>			<u>\$ 79,337,476</u>

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE H – CAPITAL ASSETS (continued)

Depreciation expense for governmental activities was charged to functions as follows:

Administrative	\$ 152,705
Administrator	2,395
Finance	6,319
City court	643
911 telecommunications	8,325
Animal shelter	3,666
Police	128,139
Fire	328,817
Building maintenance	757
Engineering	15,221
Community development	6,004
Public works	1,992,704
Recreation	411,785
Park	170,058
Airport	253,731
Cemetery	4,269
	<u>\$ 3,485,538</u>

	Balance September 30, 2010	Additions	Deletions	Balance September 30, 2011
Business-Type Activities				
Sewer				
Non-depreciable Capital Assets:				
Land	\$ 309,236	\$ -	\$ -	\$ 309,236
CIP	374,805	687,142	-	1,061,947
Total Non-depreciable Capital Assets	684,041	<u>\$ 687,142</u>	<u>\$ -</u>	1,371,183
Depreciable Capital Assets:				
Buildings	591,622	\$ -	\$ -	591,622
Equipment	1,503,793	7,964	18,799	1,492,958
Sewer collection system	29,119,253	48,580	-	29,167,833
Total Depreciable Capital Assets	31,214,668	<u>\$ 56,544</u>	<u>\$ 18,799</u>	31,252,413
Less Accumulated Depreciation				
Buildings	574,645	\$ 7,419	\$ -	582,064
Equipment	4,646,032	88,974	18,799	4,716,207
Sewer collection system	4,483,535	477,787	-	4,961,322
Total Accumulated Depreciation	9,704,212	<u>\$ 574,180</u>	<u>\$ 18,799</u>	10,259,593
Depreciable Capital Assets, Net	21,510,456			20,992,820

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2010	Additions	Deletions	Balance September 30, 2011
Environmental Services				
Non-depreciable Capital Assets:				
Land	670,663	\$ -	\$ -	670,663
Depreciable Capital Assets:				
Buildings	826,220	\$ -	\$ -	826,220
Equipment	3,027,836	193,413	113,580	3,107,669
Total Depreciable Capital Assets	3,854,056	\$ 193,413	\$ 113,580	3,933,889
Less Accumulated Depreciation				
Buildings	579,260	\$ 22,825	\$ -	602,085
Equipment	2,047,887	202,352	106,686	2,143,553
Total Accumulated Depreciation	2,627,147	\$ 225,177	\$ 106,686	2,745,638
Depreciable Capital Assets, Net	1,226,909			1,188,251
Total Capital Assets - Business-Type Activities, Net	\$ 24,092,069			\$ 24,222,917

Rolla Municipal Utilities

	Balance September 30, 2010	Additions	Deletions	Balance September 30, 2011
Business-Type Activities				
Non-Depreciable Capital assets:				
Land and easements	\$ 986,898	\$ 30,661	\$ -	\$ 1,017,559
Depreciable Capital Assets:				
Buildings and Improvements	4,603,272	\$ 26,418	\$ -	4,629,690
Office furniture, fixtures and equipment	966,809	49,375	43,790	972,394
Transportation equipment	1,353,205	137,062	62,728	1,427,539
Distribution system	43,428,991	10,420,283	322,219	53,527,055
Production system	7,864,661	-	-	7,864,661
Total Depreciable Capital Assets	58,216,938	\$ 10,633,138	\$ 428,737	68,421,339

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2010	Additions	Deletions	Balance September 30, 2011
Less Accumulated Depreciation for:				
Buildings and improvements	2,767,194	\$ 132,781	\$ -	2,899,975
Office furniture, fixtures & equipment	830,571	49,571	43,790	836,352
Transportation equipment	990,950	34,325	9,221	1,016,054
Distribution system	19,780,650	1,901,156	337,829	21,343,977
Production system	3,849,009	382,667	-	4,231,676
Total Accumulated Depreciation	<u>28,218,374</u>	<u>\$ 2,500,500</u>	<u>\$ 390,840</u>	<u>30,328,034</u>
Total Depreciable Capital Assets, net	<u>29,998,564</u>			<u>38,093,305</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 30,985,462</u>			<u>\$ 39,110,864</u>

NOTE I – EMPLOYEE PENSION PLAN

Plan Description

The City of Rolla participates 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 that 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 the system's 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 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System 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.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE I – EMPLOYEE PENSION PLAN (continued)

Primary Government

Funding Status

Full-time employees of the City of Rolla do not contribute to the pension plan. The June 30th statutorily required contribution rates are 12.9% (General), 7.7% (Police) and 15.9% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 1,064,438
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>1,064,438</u>
Actual contributions	<u>942,028</u>
Increase (decrease) in NPO	122,410
NPO beginning of year	-
NPO end of year	<u><u>\$ 122,410</u></u>

The annual required contribution (ARC) was determined as part of the February 29, 2008, and February 28, 2009, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 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 as of February 29, 2008, was 15 years for the General division, 15 years for the Police division, and 15 years for the Fire division. The amortization period as of February 28, 2009, was 30 years for the General division, 30 years for the Police division, and 30 years for the Fire division.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE I – EMPLOYEE PENSION PLAN (continued)

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 785,159	100.0%	\$ -
2010	834,397	100.0%	-
2011	1,064,438	88.5%	122,410

The actuarial valuation revealed the following relating to the financial position of the Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2011	\$ 15,817,254	\$ 18,835,759	\$ 3,018,505	84%	\$ 7,513,276	40%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Rolla Municipal Utilities

Funding Status

Full-time employees of Rolla Municipal Utilities do not contribute to the pension plan. The June 30th statutorily required contribution rate is 13.1% (General) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE I – EMPLOYEE PENSION PLAN (continued)

Annual Pension Cost

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 371,282
Interest on net pension obligation	(30,000)
Adjustment to annual required contribution	<u>21,444</u>
Annual pension cost	362,726
Actual contributions	<u>1,193,313</u>
Increase (decrease) in NPO	(830,587)
NPO beginning of year	<u>(400,000)</u>
NPO end of year	<u><u>\$ (1,230,587)</u></u>

The annual required contribution (ARC) was determined as part of the February 29, 2008, and February 28, 2009, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 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 29, 2008, was 15 years for the General division. The amortization period as of February 28, 2009, was 30 years for the General division.

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 264,805	100.0%	\$ -
2010	262,584	252.3%	(400,000)
2011	362,726	329.0%	(1,230,587)

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE I – EMPLOYEE PENSION PLAN (continued)

The actuarial valuation revealed the following relating to the financial position of the Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2011	\$ 4,863,025	\$ 7,615,872	\$ 2,752,847	64%	\$ 2,284,709	120%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE J – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN

The assessed valuation of the tangible property and the tax levies per \$100 assessed valuation of that property were as follows:

Assessed Valuation	2010
Real estate	\$ 199,706,105
Personal property	42,056,354
TOTAL	\$ 241,762,459
Tax Rate Per \$100 of Assessed Valuation	2010
General levy	\$.4444
Library levy	.1854
Park levy	.1094
TOTAL	\$.7392

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE J – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN (continued)

The legal debt margin at September 30, 2011, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional debt limit	\$ 24,176,246	\$ 24,176,246	\$ 48,352,492
General Obligation Bonds payable	<u>(5,720,000)</u>	<u>-</u>	<u>(5,720,000)</u>
LEGAL DEBT MARGIN	<u>\$ 18,456,246</u>	<u>\$ 24,176,246</u>	<u>\$ 42,632,492</u>

(1) Under Article VI, Section 26(b) and (c), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may incur an indebtedness for any purposes authorized in the charter of the City or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the City.

(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights of way, constructing, extending, and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

NOTE K – DEFERRED REVENUE

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred revenues include special assessments to be collected over several years, taxes, and court fines. All of the deferred revenue at September 30, 2011, is accounted for as follows:

GENERAL FUND	
Special assessments	\$ 85,253
Court fines	11,444
Taxes	<u>18,539</u>
	<u>\$ 115,236</u>

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE K – DEFERRED REVENUE (continued)

STREET FUND

Taxes	\$ <u>6,206</u>
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PARK FUND

Taxes	\$ <u>4,635</u>
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NOTE L – COMMITMENTS

Primary Government

At September 30, 2011, the City was committed to the following:

- Donald Maggi, Inc. in the amount of \$168,513 for various improvement projects.
- Siemens Industry, Inc. in the amount of \$307,796 for various energy efficiency projects.
- N.B. West Constructing Co. in the amount of \$117,703 for a street improvement project.

Landfill Closing Obligation

In January 1995, the City, along with the five other Phelps County Landfill Board members, entered into a "Contract of Obligation" with the Missouri Department of Natural Resources (DNR) to satisfy the financial assurance requirement for landfill operations. The Landfill Board members are obligated to close the landfill in a manner that meets DNR's standards and to properly maintain the closed landfill for 20 years thereafter. If the closure and post-closure is not done properly, the "Contract of Obligation" authorizes DNR to collect \$166,344 from any funds due the members from the Missouri Department of Revenue and the State Treasurer to compensate the State for corrective procedures.

Rolla Municipal Utilities

The City of Rolla (the City) is a member of the Missouri Joint Municipal Electric Utility Commission (MJMEUC). Rolla Municipal Utilities (RMU) represents the City with respect to MJMEUC matters. MJMEUC manages a power pool known as Missouri Public Energy Pool #1 ("MoPEP"). The City is a member of MoPEP. All MoPEP members (including the City) have an agreement (the "MoPEP Agreement") with MJMEUC for the purchase of electric capacity and energy from MJMEUC. The MoPEP Agreement requires MJMEUC to supply the full energy requirements of the City and includes a procedure for the City to dedicate its capacity to MoPEP.

NOTE L – COMMITMENTS (continued)

MoPEP operations are governed by a committee (“Pool Committee”) consisting of one representative from each MoPEP member and is currently comprised of 33 members. The Pool Committee is charged with setting rates for all services provided by MJMEUC to MoPEP members. These rates include recovery of all of MJMEUC’s costs (the “Direct Costs”) incurred in connection with acquiring, providing, arranging or financing the provision of full requirements service to MoPEP members. Such rates are based upon an annual budget and include, but are not limited to, all payments MJMEUC is required to make, or reserves or coverage MJMEUC is required to maintain, pursuant to any bond indenture, financing lease or loan agreement or other financial contract in order to procure, deliver, or finance resources intended to provide full requirements service, without regard to whether any particular resource is available to or used by any particular MoPEP member. Direct Costs also include amounts required to fund MoPEP capital and/or operating reserves as may be established from time to time by the Pool Committee.

The rates are established so as to charge each MoPEP member (including the City) its proportionate share of all costs associated with MJMEUC’s performance under the MoPEP Agreement. Charges based on such rates are assessed and billed monthly. Rates are required to be established at least annually and adjusted to recognize variances between budgeted and actual costs at least every six months.

To meet the power and energy requirements of the City and the other MoPEP members, MJMEUC presently obtains power and energy from the following sources: (i) power purchased under long-term firm energy contracts, unit-contingent energy contracts and interruptible contracts; (ii) MJMEUC owned generation; (iii) member capacity; and (iv) spot market purchases. The City purchases its full energy requirements from MJMEUC pursuant to the MoPEP Agreement, but does not have any ownership interest in MJMEUC’s resources.

In the event a MoPEP member would cancel the MoPEP Agreement, the member would remain responsible for its allocated share of MJMEUC’s Direct Costs associated with all resource obligations entered into by MJMEUC for MoPEP prior to the notice of cancellation. MJMEUC would utilize or sell the member’s allocated share of output in exchange for providing the member a credit or offset equal to the fair market value of the output up to the amount of the member’s obligation. As a result, the member would have a financial obligation after cancellation in the event that the fair market value of the output is less than the member’s allocated share of MJMEUC’s Direct Costs with respect to the resource obligations at the time of cancellation. Since the amount of the cancelling member’s obligation would depend on MJMEUC’s Direct Costs after cancellation and the fair market value of the output at such times in the future, the amount of the obligation is not reasonably determinable. Currently, RMU has no plans or intentions to begin cancellation proceedings.

The net power cost charges by MoPEP to RMU for the year ended September 30, 2011, was \$17,604,544.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE L – COMMITMENTS (continued)

Other Commitment

Rolla Municipal Utilities is also committed to Gaylor, Inc. for construction of transmission lines. The total amount of the contract was \$2,817,247; the remaining amount committed at September 30, 2011, is \$553,384.

NOTE M – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by obtaining coverage from a public self-insured insurance pool. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE N – DEFERRED BOND ISSUE COSTS

During 2004, the City issued the General Obligation Capital Improvement Bonds and General Obligation Refunding Bonds. The issue costs will be amortized as an adjustment to interest expense using straight-line amortization over 15 years and 10 years, respectively.

During 2000, the City issued the Series 2000A Wastewater System Refunding Revenue Bonds. The issue costs will be amortized as an adjustment to interest expense using straight-line amortization over 20 years.

During 2006, the City issued the 2006B Sewerage System Revenue Bonds. The issue costs will be amortized as an adjustment to interest expense using straight-line amortization over 20 years.

These deferred bond issue costs are presented net of current amortization as follows:

	Total Bond Issue Costs	Accumulated Amortization September 30, 2010	Current Amortization	Net Bond Issue Costs
Business-Type Activities	<u>\$ 164,794</u>	<u>\$ 63,142</u>	<u>\$ 8,240</u>	<u>\$ 93,412</u>
Governmental Activities	<u>\$ 197,715</u>	<u>\$ 111,980</u>	<u>\$ 13,927</u>	<u>\$ 71,808</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE O – SELF INSURANCE

In 1983, the City established a medical self-insurance plan for City employees and their covered dependents to minimize the total cost of medical health insurance to the City. This program is for the benefit of all City employees covered under the City of Rolla’s Employee Medical Plan. Medical claims exceeding an individual participant limit of \$75,000 are covered through a private insurance carrier up to \$925,000 annually.

The cash transactions of the health care plan are accounted for in the Self-Insurance Health Fund, and internal service fund. At September 30, 2011, the estimated obligation of health claims based on claims filed prior to, but not yet paid, as of year-end, claims incurred during the year but filed subsequent to year-end, and an additional amount for incurred but not reported claims based on prior experience was \$145,680. Changes in estimated benefit obligation during the past year are as follows:

Estimated Benefit Obligation, beginning of year	\$ 106,177
Claims incurred	1,824,447
Claims paid	<u>(1,784,944)</u>
Estimated Benefit Obligation, end of year	<u><u>\$ 145,680</u></u>

NOTE P – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2011, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 982,064	\$ 533,158
Street Fund	-	356,800
Recreation Center Fund	-	116,930
Park Fund	403,832	-
Airport Fund	100,348	-
Cemetery Fund	-	6,022
Sewer Fund	-	225,889
Environmental Services Fund	-	247,445
	<u><u>\$ 1,486,244</u></u>	<u><u>\$ 1,486,244</u></u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the Enterprise Funds and General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE Q – POST-EMPLOYMENT HEALTH CARE PLAN

Primary Government

Plan Description – The City’s postemployment health care plan is a single-employer defined benefit medical plan. To be eligible for participation in the plan, retirees must meet certain retirements as set by the City and remains eligible until attainment of Medicare Eligibility Age. Eligible participants receive benefits in the form of an implicit rare subsidy where participants receive health insurance coverage by paying a blended retiree/active rate.

Funding Policy – The contribution requirements of plan members and the City are established and may be amended by City Council. Current contribution requirements require participants to pay the full blended premium. The City funds the plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB-45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City’s annual OPEB cost for the year ended September 30, 2011:

ARC	\$ 286,600
Interest on net OPEB obligation	13,700
Adjustment to ARC	<u>(11,400)</u>
Annual OPEB cost (expense)	<u><u>\$ 288,900</u></u>

The change in net OPEB obligation was as follows:

Balance September 30, 2010	Annual OPEB Cost	Employer Contributions	Balance September 30, 2011
Net OPEB Obligation			Net OPEB Obligation
<u>\$ 474,200</u>	<u>\$ 288,900</u>	<u>\$ 190,900</u>	<u>\$ 572,200</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE Q – POST-EMPLOYMENT HEALTH CARE PLAN (continued)

Funding Status and Funding Progress – As a pay-as-you-go plan, the plan was 0% funded at September 30, 2011.

Actuarial Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2011	\$ -	\$ 2,705,800	\$ 2,705,800	0%	TBD	TBD

Actuarial Methods and Assumptions – The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. In the 2011 actuarial valuation, the projected unit credit cost method was used, and the interest rate used for discounting liabilities was 4.0%. The actuarial valuation assumed a medical premium inflation rate based on long term health care trends generated by the Getzen Model. The medical premium inflation rate was 7.20% for 2011, with annual rate reductions to an ultimate rate of 4.7% in 2081. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of 30 years, and the valuation assumed that 40% of all future retirees will elect medical coverage.

Rolla Municipal Utilities

Plan Description – The Utility’s postemployment health care plan is a single-employer defined benefit medical plan. To be eligible for participation in the plan, retirees must meet certain retirements as set by the Utility and remains eligible until attainment of Medicare Eligibility Age. Eligible participants receive benefits in the form of an implicit rate subsidy where participants receive health insurance coverage by paying a blended retiree/active rate.

Funding Policy – The contribution requirements of plan members and the Utility are established and may be amended by the Board of Public Works. Current contribution requirements require participants to pay the full blended premium. The Utility funds the plan on a pay-as-you-go basis.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE Q – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

Annual OPEB Cost and Net OPEB Obligation – The Utility’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the Utility, an amount actuarially determined in accordance with the parameters of GASB-45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Utility’s annual OPEB cost for the year ended September 30, 2011:

ARC	\$ 36,800
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	<u>\$ 36,800</u>

The change in net OPEB obligation was as follows:

Balance September 30, 2010	Annual OPEB Cost	Employer Contributions	Balance September 30, 2011 Net OPEB Obligation
<u>\$ 73,600</u>	<u>\$ 36,800</u>	<u>\$ -</u>	<u>\$ 110,400</u>

Funding Status and Funding Progress – As a pay-as-you-go plan, the plan was 0% funded at September 30, 2011.

Actuarial Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2009	\$ -	\$ 599,900	\$ 599,900	0%	N/A	N/A

Actuarial Methods and Assumptions – The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. In the 2009 actuarial valuation, the projected unit credit cost method was used, and the interest rate used for discounting liabilities was 4.0%. The actuarial valuation assumed a medical premium inflation rate based on long term health care trends generated by the Getzen Model. The medical premium inflation rate was 7.10% for 2011, with annual rate reductions to an ultimate rate of 4.4% in 2060. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of 30 years, and the valuation assumed that 40% of all future retirees will elect medical coverage.

ROLLA MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

NOTE R – RELATED PARTY TRANSACTIONS

Rolla Municipal Utilities provides water and electric services to the City of Rolla. It also provides billing and collection services to the City for PILOT, sewer and sanitation services. The City of Rolla paid RMU a total of \$158,857 in FY 2011 for billing services. The City paid RMU \$761,461 in FY 2011 for water and electric services.

NOTE S – RELATED ORGANIZATIONS

The Rolla Public Library is a political subdivision of the State of Missouri created under Chapter 182 of the Missouri Revised Statutes. The Library is governed by a Board of Directors appointed by the Mayor of the City of Rolla. The Board of Directors possesses its own contracting and budgetary authority, hires and fires personnel and does not depend on the City for operating subsidies. Although the City does serve as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the tax rate and purpose are discretionary decisions made solely by the Board of Directors. Financial information may be obtained from Rolla Public Library at 900 Pine Street, Rolla, MO 65401.

NOTE T – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the Series 1996E, 2000A, and 2006B Water Pollution Control Revenue Bonds issued to improve and expand the sewer system. The bonds are payable solely from sewer customers net revenues and are payable through 2027. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$7.8 million. Principal and interest paid for the current year and total customer net revenues were \$692,346 and \$1,369,219, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROLLA, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended September 30, 2011

Missouri Local Government Employees Retirement System (LAGERS)

Primary Government

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2009	\$ 12,481,126	\$ 15,886,229	\$ 3,405,103	79%	\$ 7,285,674	47%
2/28/2010	13,727,350	16,993,797	3,266,447	81%	7,361,496	44%
2/28/2011	15,817,254	18,835,759	3,018,505	84%	7,513,276	40%

Rolla Municipal Utilities

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2009	\$ 4,856,351	\$ 7,637,962	\$ 2,781,611	64%	\$ 2,147,290	130%
2/28/2010	3,397,202	6,438,887	3,041,685	53%	2,023,002	150%
2/28/2011	4,863,025	7,615,872	2,752,847	64%	2,284,709	120%

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, 2011, 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 ROLLA, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended September 30, 2011

Post-Employment Health Care Plan

Primary Government

Actuarial Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2009	\$ -	\$ 2,157,700	\$ 2,157,700	0%	N/A	N/A
9/30/2011	-	2,705,800	2,705,800	0%	N/A	N/A

Rolla Municipal Utilities

Actuarial Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2009	\$ -	\$ 599,900	\$ 599,900	0%	N/A	N/A

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 936,500	\$ 936,500	\$ 900,247	\$ (36,253)
City sales tax	3,692,560	3,751,560	3,751,122	(438)
Special assessments	800	800	-	(800)
Utility franchise tax	846,000	846,000	821,949	(24,051)
Motor vehicle tax	91,000	99,500	97,391	(2,109)
Payment in lieu of taxes	1,490,000	1,490,000	1,479,825	(10,175)
Lodging tax	295,000	295,000	295,485	485
Cigarette tax	124,000	124,000	127,635	3,635
	<u>7,475,860</u>	<u>7,543,360</u>	<u>7,473,654</u>	<u>(69,706)</u>
Licenses and Permits				
Occupational licenses	49,000	49,000	50,993	1,993
Building permits	76,500	76,500	64,819	(11,681)
Other	30,900	30,900	34,462	3,562
	<u>156,400</u>	<u>156,400</u>	<u>150,274</u>	<u>(6,126)</u>
Intergovernmental Revenues				
Landfill	11,500	11,500	8,800	(2,700)
RREC	125,000	125,000	103,849	(21,151)
PCESB	-	-	211,059	211,059
Library	266,000	266,000	183,634	(82,366)
Grants	230,000	342,000	352,388	10,388
Other	1,195,500	1,195,500	906,688	(288,812)
	<u>1,828,000</u>	<u>1,940,000</u>	<u>1,766,418</u>	<u>(173,582)</u>
Charges for Services				
Fire dues and assessments	50,000	50,000	49,520	(480)
Fines and Forfeitures				
City court fines	195,000	195,000	192,677	(2,323)
Police training fees	6,900	6,900	5,911	(989)
	<u>201,900</u>	<u>201,900</u>	<u>198,588</u>	<u>(3,312)</u>
Miscellaneous				
Lease and rent income	13,500	13,500	19,367	5,867
Interest income	50,000	50,000	49,893	(107)
Animal shelter	15,400	15,400	17,305	1,905
Other	30,250	30,250	32,673	2,423
	<u>109,150</u>	<u>109,150</u>	<u>119,238</u>	<u>10,088</u>
TOTAL REVENUES	9,821,310	10,000,810	9,757,692	(243,118)

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	950,961	950,961	953,447	(2,486)
Administrator	364,467	364,467	366,011	(1,544)
Finance	447,932	447,932	453,746	(5,814)
Legal services	69,630	69,630	63,796	5,834
City court	102,285	102,285	103,152	(867)
911 telecommunications	1,006,415	1,006,415	856,344	150,071
Animal shelter	191,675	191,675	161,267	30,408
Police	3,016,539	3,150,665	3,139,588	11,077
Fire	2,912,470	3,230,636	3,318,262	(87,626)
Building maintenance	99,814	143,692	155,695	(12,003)
Engineering	771,663	771,663	726,061	45,602
Community development	442,770	451,158	443,979	7,179
Library	256,488	256,488	178,069	78,419
Economic development	231,860	231,860	227,055	4,805
TOTAL EXPENDITURES	10,864,969	11,369,527	11,146,472	223,055
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	(1,043,659)	(1,368,717)	(1,388,780)	(20,063)
OTHER FINANCING SOURCES (USES)				
Lease proceeds	450,000	675,000	675,000	-
Operating transfers in	952,064	952,064	982,064	30,000
Operating transfers (out)	(506,293)	(506,293)	(533,158)	(26,865)
TOTAL OTHER FINANCING SOURCES (USES)	895,771	1,120,771	1,123,906	3,135
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	(147,888)	(247,946)	(264,874)	(16,928)
FUND BALANCE, October 1	2,199,275	2,313,427	2,313,427	-
FUND BALANCE, September 30	<u>\$ 2,051,387</u>	<u>\$ 2,065,481</u>	<u>\$ 2,048,553</u>	<u>\$ (16,928)</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 4,224,560	\$ 4,283,160	\$ 4,275,228	\$ (7,932)
Intergovernmental revenues	-	-	79,177	79,177
Charges for services	3,000	253,000	298,650	45,650
Interest income	11,000	11,000	5,074	(5,926)
Miscellaneous	7,500	7,500	26,784	19,284
TOTAL REVENUES	4,246,060	4,554,660	4,684,913	130,253
EXPENDITURES				
Current				
Street	2,307,206	2,535,706	2,528,471	7,235
Capital improvements	1,084,000	1,498,500	1,482,171	16,329
Debt service				
Principal and interest	637,000	637,000	628,719	8,281
TOTAL EXPENDITURES	4,028,206	4,671,206	4,639,361	31,845
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	217,854	(116,546)	45,552	162,098
OTHER FINANCING (USES)				
Operating transfers (out)	(361,800)	(361,800)	(356,800)	5,000
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(143,946)	(478,346)	(311,248)	167,098
FUND BALANCE, October 1	646,302	756,467	756,467	-
FUND BALANCE, September 30	\$ 502,356	\$ 278,121	\$ 445,219	\$ 167,098

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – RECREATION CENTER FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 1,846,280	\$ 1,875,580	\$ 1,875,554	\$ (26)
Charges for services	1,386,500	1,386,500	1,196,411	(190,089)
Interest income	91,000	91,000	79,038	(11,962)
Miscellaneous	2,000	2,000	11,985	9,985
TOTAL REVENUES	<u>3,325,780</u>	<u>3,355,080</u>	<u>3,162,988</u>	<u>(192,092)</u>
EXPENDITURES				
Current				
Guest services	221,360	221,360	212,784	8,576
Recreation	140,100	140,100	137,113	2,987
Aquatic	218,550	218,550	217,777	773
Fitness	188,210	188,210	165,373	22,837
Administration	484,463	669,963	687,494	(17,531)
Maintenance	351,700	351,700	343,159	8,541
SplashZone	132,636	132,636	114,481	18,155
Debt Service				
Principal and interest	1,412,574	1,412,574	1,361,427	51,147
TOTAL EXPENDITURES	<u>3,149,593</u>	<u>3,335,093</u>	<u>3,239,608</u>	<u>95,485</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	176,187	19,987	(76,620)	(96,607)
OTHER FINANCING (USES)				
Operating transfers (out)	(116,930)	(116,930)	(116,930)	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	59,257	(96,943)	(193,550)	(96,607)
FUND BALANCE, October 1	<u>3,247,241</u>	<u>3,426,509</u>	<u>3,426,509</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 3,306,498</u>	<u>\$ 3,329,566</u>	<u>\$ 3,232,959</u>	<u>\$ (96,607)</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 223,000	\$ 223,000	\$ 221,493	\$ (1,507)
Charges for services	111,600	111,600	113,905	2,305
Interest income	2,400	2,400	2,419	19
Miscellaneous	11,500	11,500	8,447	(3,053)
TOTAL REVENUES	348,500	348,500	346,264	(2,236)
EXPENDITURES				
Current				
Park	774,335	789,835	772,156	17,679
TOTAL EXPENDITURES	774,335	789,835	772,156	17,679
(DEFICIT) OF REVENUES OVER EXPENDITURES	(425,835)	(441,335)	(425,892)	15,443
OTHER FINANCING SOURCES				
Operating transfers in	425,245	425,245	403,832	(21,413)
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(590)	(16,090)	(22,060)	(5,970)
FUND BALANCE, October 1	861	22,060	22,060	-
FUND BALANCE, September 30	\$ 271	\$ 5,970	\$ -	\$ (5,970)

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – AIRPORT FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Intergovernmental revenue	\$ 50,000	\$ 50,000	\$ 28,057	\$ (21,943)
Charges for services	243,420	270,420	271,652	1,232
Interest income	40	40	26	(14)
Miscellaneous	1,525	1,525	2,688	1,163
TOTAL REVENUES	294,985	321,985	302,423	(19,562)
EXPENDITURES				
Current				
Airport	381,581	402,581	375,760	26,821
TOTAL EXPENDITURES	381,581	402,581	375,760	26,821
(DEFICIT) OF REVENUES OVER EXPENDITURES	(86,596)	(80,596)	(73,337)	7,259
OTHER FINANCING SOURCES				
Operating transfers in	87,348	87,348	100,348	13,000
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	752	6,752	27,011	20,259
FUND BALANCE, October 1	47	35,414	35,414	-
FUND BALANCE, September 30	\$ 799	\$ 42,166	\$ 62,425	\$ 20,259

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CEMETERY FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services	\$ 6,000	\$ 15,500	\$ 15,500	\$ -
Interest income	6,300	6,300	6,588	288
TOTAL REVENUES	12,300	21,800	22,088	288
EXPENDITURES				
Current				
Cemetery	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	12,300	21,800	22,088	288
OTHER FINANCING (USES)				
Operating transfers (out)	(6,300)	(6,300)	(6,022)	278
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER (USES)	6,000	15,500	16,066	566
FUND BALANCE, October 1	254,630	256,580	256,580	-
FUND BALANCE, September 30	\$ 260,630	\$ 272,080	\$ 272,646	\$ 566

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK LAND RESERVE FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Interest income	\$ 700	\$ 700	\$ 707	\$ 7
Miscellaneous	500	500	-	(500)
TOTAL REVENUES	1,200	1,200	707	(493)
EXPENDITURES				
Current				
Park	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES				
	1,200	1,200	707	(493)
FUND BALANCE, October 1	123,724	123,724	123,724	-
FUND BALANCE, September 30	\$ 124,924	\$ 124,924	\$ 124,431	\$ (493)

CITY OF ROLLA, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2011

Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October, Administration submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the City Council in late August or early September to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to October 1, ordinances are passed by Council, which provide for legally adopted budgets for all funds of the City.
4. The City operates on a program performance budget system, with legally adopted budgets prepared by fund, program and department. The level of budgetary control is at the department level. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of City Council.
5. Formal budgetary integration is employed as a management control device for all funds of the City.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by City Council on approved budget adjustment forms.

OTHER FINANCIAL INFORMATION



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

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**INDEPENDENT AUDITORS' 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**

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Rolla, Missouri as of and for the year ended September 30, 2011, and have issued our report thereon dated March 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

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

Compliance and Other Matters

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

We noted certain other matters that we have reported to the management of the City of Rolla, Missouri in a separate letter dated March 6, 2012.

This report is intended solely for the information and use of the Honorable Mayor, City Council, and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Davis, Lynn & Moots, PC". The signature is written in a cursive, slightly slanted style.

DAVIS, LYNN & MOOTS, P.C.
March 6, 2012