



**MISSOURI**

**FINANCIAL REPORT**  
(Audited)

Year Ended September 30, 2016

**CITY OF ROLLA, MISSOURI**  
**FINANCIAL REPORT**

---

	<b>Page</b>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	18
Statement of Net Position - Proprietary Funds	19
Statement of Revenues, Expenses, and Change in Net Position - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
Notes to Financial Statements	23
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
General Fund	66
Street Fund	68
Recreation Center Fund	69
Parks Fund	70
Airport Fund	71
Cemetery Fund	72
Park Land Reserve Fund	73
Notes to Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	74
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	75
Schedule of Pension Contributions	76
Rolla Municipal Utilities:	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	77
Schedule of Pension Contributions	78



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

## INDEPENDENT AUDITOR'S REPORT

June 28, 2017

Honorable Mayor and City Council  
**CITY OF ROLLA, MISSOURI**

### REPORT ON THE FINANCIAL STATEMENTS

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** (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

- 15450 South Outer Forty Road, Suite 135, Chesterfield, Missouri 63017-2066, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P. O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

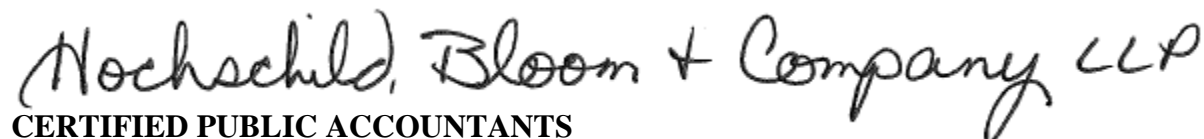
## **Other Matters**

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF ROLLA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

---

As management of the City of Rolla, Missouri (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here along with the City's financial statements, including the footnotes that follow this Management's Discussion and Analysis (MD&A).

**FINANCIAL HIGHLIGHTS**

- The net position of the City's governmental activities decreased by \$390,735 for the year as a result of current year activities. The net position of the City's business-type activities increased \$698,487 for the year.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of September 30, 2016, by \$104 million (net position) (up from \$103.8 million in fiscal year 2015). Of this amount, \$14.4 million was unrestricted from overall operations and may be used to meet future obligations of the City.
- Total value of new building construction for fiscal year 2016 was \$28,024,947 compared to \$21,750,171 in fiscal year 2015. Overall 110 new housing units were added in 2016. Multi-family construction permits continue to be strong with continued growth at S&T.
- In June 2010 several departments within the City participated in an Energy Efficiency Program through Siemens (energy performance contract) in the amount of \$2.2 million with projected average annual energy savings of \$160,000 per year. The project was anchored by a \$337,000 ARRA grant for a new-generation pump/blower with substantial energy savings. The new energy pumps have not fully performed to expectations though Siemens remains committed to the project. Consequently the performance-based contract remains open. In 2012 the City refinanced the lease and added \$600,000 for a new water storage tank at the Rolla National Airport (the Airport). The Series 2012 certificates of participation have a 15-year term with interest rates from 2% to 3.4%.
- The City collected a sales tax rate of 2.25% which is distributed among the General Fund (1%), the Street Fund (½% for transportation and ½% for capital improvements) and the Park Fund (¼%). The original ½% parks sales tax for the Rec Center and SplashZone construction expired in December 2013 and was ultimately replaced by "Prop P" - a ¼ cent sales tax in April 2015. In fiscal year 2016 the City received \$9,328,864 in sales tax revenues - a 3.02% increase over fiscal year 2015. Since sales tax revenues account for approximately 39% of total revenue, sales tax revenues are monitored monthly and the budget is adjusted accordingly to ensure a balance between revenues and expenditures.
- Fiscal year 2016 completes the 14<sup>th</sup> full year of operations at the Centre - the City's recreation center. Over that time the average recapture rate of revenues over operational expenses is 83%. Revenues of \$1.1 million are generated through memberships, user fees, and program revenues with operating expenditures of \$1,320,000. In fiscal year 2016 recreation center revenues increased by 0.7% while operating expenditures decreased 3.4% over fiscal year 2015.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$8,711,393.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,538,676.

**CITY OF ROLLA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

---

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources liabilities, and deferred inflow of resources, with the difference between reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public works, police department, and municipal court. The business-type activities include the sewer and sanitation operations of the City.

One separate organization is considered a component unit of the City -- Rolla Municipal Utilities (RMU). RMU's purpose is to provide electric and water services to the City, and is under the direction of the Rolla Board of Public Works.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. It should be noted that the City does not have any fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for

**CITY OF ROLLA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

---

governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the government-wide governmental activities.

The City maintains seven governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Fund, Recreation Center Fund, Parks Fund, Airport Fund, Cemetery Fund, and Park Land Reserve Fund which are considered major funds.

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

**Proprietary fund.** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the Internal Service Fund to account for health insurance premiums. Because these services predominantly benefit governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

**Required supplemental information.** In addition to the basic financial statements and accompanying notes, certain supplemental information can be found in this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

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

A condensed version of the statement of net position follows below.

**CITY OF ROLLA, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**Governmental and business-type activities.** Governmental and business-type activities increased the City's net position by \$307,752. Key elements of this are as follows:

	<b>September 30</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>Restated 2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>Restated 2015</b>
<b>ASSETS</b>						
Current and other assets	\$ 11,722,227	16,431,893	6,067,114	6,417,424	17,789,341	22,849,317
Capital assets	77,152,955	76,513,993	27,432,824	28,119,437	104,585,779	104,633,430
Total Assets	<u>88,875,182</u>	<u>92,945,886</u>	<u>33,499,938</u>	<u>34,536,861</u>	<u>122,375,120</u>	<u>127,482,747</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	<u>3,743,068</u>	<u>1,458,417</u>	<u>908,046</u>	<u>335,195</u>	<u>4,651,114</u>	<u>1,793,612</u>
<b>LIABILITIES</b>						
Other liabilities	1,344,888	2,257,514	400,874	614,681	1,745,762	2,872,195
Long-term liabilities	11,365,578	12,162,217	9,089,826	10,108,108	20,455,404	22,270,325
Total Liabilities	<u>12,710,466</u>	<u>14,419,731</u>	<u>9,490,700</u>	<u>10,722,789</u>	<u>22,201,166</u>	<u>25,142,520</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	<u>608,255</u>	<u>294,308</u>	<u>155,442</u>	<u>85,912</u>	<u>763,697</u>	<u>380,220</u>
<b>NET POSITION</b>						
Net investment in capital assets	68,031,847	68,004,345	20,127,355	20,060,473	88,159,202	88,064,818
Restricted	775,440	548,514	711,932	707,485	1,487,372	1,255,999
Unrestricted	<u>10,492,242</u>	<u>11,137,405</u>	<u>3,922,555</u>	<u>3,295,397</u>	<u>14,414,797</u>	<u>14,432,802</u>
Total Net Position	<u>\$ 79,299,529</u>	<u>79,690,264</u>	<u>24,761,842</u>	<u>24,063,355</u>	<u>104,061,371</u>	<u>103,753,619</u>



**CITY OF ROLLA, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	For The Years Ended September 30					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 3,759,067	3,454,032	6,542,518	6,083,051	10,301,585	9,537,083
Operating grants and contributions	536,535	314,196	16,935	30,448	553,470	344,644
Capital grants and contributions	492,245	496,970	125,824	30,210	618,069	527,180
General revenues:						
Property taxes	1,257,043	1,181,689	-	-	1,257,043	1,181,689
Sales taxes	9,327,969	8,206,004	-	-	9,327,969	8,206,004
Motor vehicle taxes	771,610	766,443	-	-	771,610	766,443
Payment in lieu of taxes	1,513,415	1,538,107	-	-	1,513,415	1,538,107
Other taxes	465,951	442,139	-	-	465,951	442,139
Franchise fees	592,398	831,681	-	-	592,398	831,681
Investment income	47,182	42,409	168,244	166,847	215,426	209,256
Other	229,209	58,948	79,117	67,216	308,326	126,164
Total Revenue	<u>18,992,624</u>	<u>17,332,618</u>	<u>6,932,638</u>	<u>6,377,772</u>	<u>25,925,262</u>	<u>23,710,390</u>
<b>EXPENSES</b>						
General government and other	4,659,021	4,471,476	-	-	4,659,021	4,471,476
Public safety	6,514,740	5,940,758	-	-	6,514,740	5,940,758
Public works and maintenance	4,887,963	4,155,375	-	-	4,887,963	4,155,375
Parks and recreation	3,093,377	2,822,620	-	-	3,093,377	2,822,620
Airport	596,758	515,076	-	-	596,758	515,076
Sewer	-	-	2,740,803	2,614,342	2,740,803	2,614,342
Environmental services	-	-	3,124,848	3,068,500	3,124,848	3,068,500
Total Expenses	<u>19,751,859</u>	<u>17,905,305</u>	<u>5,865,651</u>	<u>5,682,842</u>	<u>25,617,510</u>	<u>23,588,147</u>
<b>EXCESS BEFORE TRANSFERS</b>	(759,235)	(572,687)	1,066,987	694,930	307,752	122,243
<b>TRANSFERS</b>	<u>368,500</u>	<u>(347,600)</u>	<u>(368,500)</u>	<u>347,600</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	(390,735)	(920,287)	698,487	1,042,530	307,752	122,243
NET POSITION, OCTOBER 1	79,690,264	80,959,685	24,063,355	23,020,825	103,753,619	103,980,510
RESTATEMENT - RECEIVABLE	<u>-</u>	<u>(349,134)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(349,134)</u>
<b>NET POSITION, SEPTEMBER 30</b>	<u>\$79,299,529</u>	<u>79,690,264</u>	<u>24,761,842</u>	<u>24,063,355</u>	<u>104,061,371</u>	<u>103,753,619</u>

**Change in net position.** The decrease in net position of \$390,735 in the governmental activities was mainly due to the decrease in transfers from the business-type activities. The increase in net position of \$307,752 in the business-type activities was due to revenues exceeding expenses.

**CITY OF ROLLA, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**GOVERNMENTAL ACTIVITIES**

Governmental activities decreased the net position of the City by \$390,735. Total tax revenues for the City were \$13.3 million, which represents 70% of the financing of these activities. Program revenues for the functions totaled \$4.8 million or 25% 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.

	<b>Net Cost Of Governmental Activities</b>			
	<b>Total Cost Of Service</b>		<b>Net Cost Of Service</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
General government and other	\$ 4,659,021	4,471,476	2,920,458	2,900,447
Public safety	6,514,740	5,940,758	5,754,178	5,358,998
Public works and maintenance	4,887,963	4,155,375	4,194,359	3,918,361
Parks and recreation	3,093,377	2,822,620	1,758,294	1,547,654
Airport	596,758	515,076	336,723	(85,353)
Total	\$ 19,751,859	17,905,305	14,964,012	13,640,107

**BUSINESS-TYPE ACTIVITIES**

Business-type activities increased the City's net position by \$698,487. Last year the business-type activities increased \$1,042,530.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

At September 30, 2016 the General Fund's fund balance was \$3,328,439.

The City's General Fund's fund balance increased by \$361,719 or 12.2% from the prior year fund balance. This was mainly due to increasing intergovernmental revenues.

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

- The Street Fund decreased by \$1,211,341 from the fund balance at the end of the prior year. This decrease is due to higher capital outlay expenditures in 2016.

**CITY OF ROLLA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

---

- The Recreation Center Fund decreased by \$384,808 from the fund balance at the end of the prior year. This decrease is due to capital outlay purchases in 2016.
- The Parks Fund increased by \$64,636 from the fund balance at the end of the prior year. This increase is due to an increase in sales tax revenues.
- The Airport Fund decreased by \$54,878 from the fund balance at the end of the prior year. This decrease is due to expenditures exceeding revenue from regular activity.
- The Cemetery Fund increased by \$20,176 from the fund balance at the end of the prior year. This increase is due to an increase in charges for services.
- The Park Land Reserve Fund increased by \$2,425 over the prior year fund balance. This increase is due to an increase in revenues.

**Proprietary funds.** The fund statement for the proprietary funds looks much like the business-type activities in the government-wide financial statements. Proprietary funds financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statement to the government-wide financial statement.

Unrestricted net position at the end of the year for the Sewer Fund totaled \$2,195,174. The total increase in net position was \$462,432 or 2.5% from the prior year fund balance. Unrestricted net position at the end of the year for the Environmental Services Fund totaled \$1,727,351. The total increase in net position was \$236,055 or 4.4% from the prior year fund balance.

### **CAPITAL ASSETS**

The City has invested \$104,585,799 at September 30, 2016 in a broad range of capital assets, net of depreciation, including land, construction in progress, buildings and improvements, machinery and equipment, infrastructure, and the sewer collection system. This amount represents a net decrease for the current fiscal year (including additions and deductions) of \$47,651. The City's capital assets, net of accumulated depreciation, consisted of:

**CITY OF ROLLA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	For The Years Ended September 30					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 12,784,058	12,693,465	1,367,396	1,262,311	14,151,454	13,955,776
Construction in progress	55,778	-	3,081,735	3,081,735	3,137,513	3,081,735
Buildings and improvements	11,266,790	11,927,361	2,693,008	2,919,195	13,959,798	14,846,556
Machinery and equipment	3,572,779	3,200,006	1,655,207	1,770,983	5,227,986	4,970,989
Infrastructure	49,473,550	48,693,161	-	-	49,473,550	48,693,161
Sewer collection system	-	-	18,635,478	19,085,213	18,635,478	19,085,213
Total Capital Assets, Net Of Accumu- lated Depreciation	<u>\$ 77,152,955</u>	<u>76,513,993</u>	<u>27,432,824</u>	<u>28,119,437</u>	<u>104,585,779</u>	<u>104,633,430</u>

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

**LONG-TERM DEBT**

The City had government-wide debt outstanding for September 30, 2016 of \$16,904,584 compared to \$18,649,186 for September 30, 2015. The decrease of debt outstanding of \$1,744,602 was due to payments made on outstanding debt.

The following is a summary of long-term debt:

	For The Years Ended September 30					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital leases payable	\$ 3,074,584	3,079,186	-	-	3,074,584	3,079,186
Certificates of participation	4,211,341	4,645,386	4,338,659	4,584,614	8,550,000	9,230,000
General obligation bonds	1,800,000	2,360,000	-	-	1,800,000	2,360,000
Revenue bonds payable	-	-	3,480,000	3,980,000	3,480,000	3,980,000
Total	<u>\$ 9,085,925</u>	<u>10,084,572</u>	<u>7,818,659</u>	<u>8,564,614</u>	<u>16,904,584</u>	<u>18,649,186</u>

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues for the City's General Fund of \$10,393,151 were \$50,351 over the budgeted revenues of \$10,342,800. This was mainly due to other revenue accounts, including seizures and forfeitures, coming in over budget. The City's General Fund expenditures of \$10,755,607 were \$129,416 under the budgeted amount of \$10,885,023 mainly due to 911 telecommunications and fire expenditures being less than anticipated.

**CITY OF ROLLA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

---

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

City spending patterns will continue to require a conservative approach to help rebuild reserves. It appears as if the local and regional economies are improving with continued albeit slow positive revenue growth.

- Economic Development -- Since 2004 the City Council has contracted with the Rolla Regional Economic Commission for development opportunities. Current annual contractual contributions are \$95,000 per year. The City continues to promote development along I-44 including "Rolla West" and working with Phelps County has selected UTW as the preferred developer for a large retail opportunity in that corridor called the Westside MarketPlace. The County's TIF Commission unanimously recommended use of TIF for the project. Final negotiations are anticipated through fall 2016. The City continues to monitor its first TIF redevelopment project with Kohl's which opened March 2012. The City and Associated Wholesale Grocers successfully negotiated a CID for the redevelopment of the Forum Plaza in 2015 resulting in a new, large grocery store (Price Chopper) and a redevelopment of the entire Plaza. In addition the City has completed substantial infrastructure improvements at the Airport where Brewer Science opened a new facility. The \$2.5 million investment is offset in part by a \$1,044,000 EDA grant. Lastly Hartmann US chose their new manufacturing facility at the old Briggs & Stratton building in 2016 and Fed Ex Ground is constructing a new distribution facility at HyPoint.
- Sales tax receipts increased 3.02% in fiscal year 2016. Staff will continue to monitor the situation closely and has conservatively budgeted sales tax growth of 2% in fiscal year 2017. The City has a solid economic base but one that has stagnated in the last several years despite the growth with healthcare and education. Sustained growth in healthcare and education along with new or expanding projects such as Price Chopper, Hartmann US, Fed Ex Ground, CVS, Brewer Science, and MoSci along with positive enrollment growth at Missouri S&T and the new Delbert Day Cancer Institute at PCRMC provide real opportunities for continued growth.
- The City's self-funded health insurance program ended calendar year 2016 with an employee contribution rate of 28.7% despite a premium increase in 2015 and 2016 (short of the required participation level of 33% employee contribution). This percentage is made up of premiums withheld from payroll, copayments, and deductibles paid by employees. Note: the employee contribution calculated from the Internal Service Fund reported in this audit does not include the copayments and deductibles paid by employees.
- A new consolidated public services facility was completed in February 2013. Phase I of the project included a new vehicle services facility and a new sanitation division workshop. Plans include the relocation of the Street Shop and Yard from Sharp Road to this new facility in coming years.
- As the City has actively been selling the Sharp Road property off 18<sup>th</sup> Street the City has initiated efforts to begin planning for the relocation of the outdated Rolla Animal Shelter. A substantial donation from Mr. Bob Eck (\$441,000) in fiscal year 2013 has initiated a formal fundraising strategy to raise charitable funds in 2016 - 2018 for the new facility.

**CITY OF ROLLA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

---

**REQUESTS FOR INFORMATION**

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

Finance Director  
City of Rolla  
910 North Elm  
Rolla, MO 65401  
Telephone: 573-426-6980

RMU issues a complete set of financial statements that are more detailed than the data presented herein. Copies of the separately issued RMU statements can be obtained by contacting RMU at:

Rolla Municipal Utilities  
102 W. 9<sup>th</sup> Street  
Rolla, MO 65401  
Telephone: 573-364-1572

**CITY OF ROLLA, MISSOURI**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Rolla Municipal Utilities</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,617,822	2,314,304	8,932,126	26,338,998
Taxes receivable, net	1,983,093	-	1,983,093	-
Utilities receivable, net	-	954,059	954,059	2,265,952
Other accounts receivable	206,321	-	206,321	-
Court fines receivable, net	56,232	-	56,232	-
Intergovernmental receivable	16,982	-	16,982	-
Special assessments receivable	264,510	-	264,510	-
Accrued interest receivable	-	13,884	13,884	-
Inventory	30,129	-	30,129	953,474
Prepaid items	462,463	92,383	554,846	184,934
Restricted cash and cash equivalents	813,099	1,186,347	1,999,446	-
Restricted investments	-	1,232,203	1,232,203	-
Net pension asset	1,271,576	273,934	1,545,510	613,511
Capital assets:				
Nondepreciable	12,839,836	4,449,131	17,288,967	2,744,451
Depreciable, net	64,313,119	22,983,693	87,296,812	35,372,108
Total Assets	<u>88,875,182</u>	<u>33,499,938</u>	<u>122,375,120</u>	<u>68,473,428</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	29,054	-	29,054	-
Pension related	3,714,014	908,046	4,622,060	2,084,008
Total Deferred Outflows Of Resources	<u>3,743,068</u>	<u>908,046</u>	<u>4,651,114</u>	<u>2,084,008</u>
<b>LIABILITIES</b>				
Accounts payable	1,085,578	200,282	1,285,860	1,951,717
Accrued expenses	125,787	41,981	167,768	51,533
Police evidence payable	17,080	-	17,080	-
Deposits payable	-	-	-	1,674,228
Court bonds payable	5,800	-	5,800	-
Unearned revenue	10,727	-	10,727	-
Refundable permits	55,170	-	55,170	-
Accrued interest payable	44,746	76,558	121,304	16,604
Arbitrage payable	-	82,053	82,053	-
Noncurrent liabilities:				
Due within one year	1,713,549	858,222	2,571,771	985,408
Due in more than one year	8,396,009	8,231,604	16,627,613	11,129,000
Due in more than one year - net OPEB obligation	1,256,020	-	1,256,020	-
Total Liabilities	<u>12,710,466</u>	<u>9,490,700</u>	<u>22,201,166</u>	<u>15,808,490</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related	608,255	155,442	763,697	427,944
<b>NET POSITION</b>				
Net investment in capital assets	68,031,847	20,127,355	88,159,202	26,138,559
Restricted	775,440	711,932	1,487,372	-
Unrestricted	10,492,242	3,922,555	14,414,797	28,182,443
Total Net Position	<u>\$ 79,299,529</u>	<u>24,761,842</u>	<u>104,061,371</u>	<u>54,321,002</u>

See notes to financial statements

**CITY OF ROLLA, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

FUNCTIONS/PROGRAMS	Net Revenues (Expenses) And Changes In Net Position							Component Unit Rolla Municipal Utilities
	Expenses	Program Revenues			Primary Government			
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
<b>Governmental Activities</b>								
Administrative	\$ 535,538	84,333	-	-	(451,205)	-	(451,205)	-
Administrator	352,132	-	-	-	(352,132)	-	(352,132)	-
Finance	525,018	9,607	-	-	(515,411)	-	(515,411)	-
Legal services	59,631	-	-	-	(59,631)	-	(59,631)	-
City court	89,372	-	-	-	(89,372)	-	(89,372)	-
911 telecommunications	1,084,857	969,177	-	-	(115,680)	-	(115,680)	-
Animal shelter	141,870	19,404	80,378	-	(42,088)	-	(42,088)	-
Police	3,606,317	213,491	441,672	46,410	(2,904,744)	-	(2,904,744)	-
Fire	2,908,423	58,989	-	-	(2,849,434)	-	(2,849,434)	-
Building maintenance	88,128	-	-	-	(88,128)	-	(88,128)	-
Engineering	755,779	-	-	-	(755,779)	-	(755,779)	-
Community development	386,344	119,910	-	-	(266,434)	-	(266,434)	-
Library	174,266	244,463	-	-	70,197	-	70,197	-
Economic development	307,771	153,046	-	-	(154,725)	-	(154,725)	-
Public works	4,799,835	247,769	-	445,835	(4,106,231)	-	(4,106,231)	-
Parks and recreation	3,093,377	1,320,598	14,485	-	(1,758,294)	-	(1,758,294)	-
Airport	596,758	260,035	-	-	(336,723)	-	(336,723)	-
Cemetery	594	58,245	-	-	57,651	-	57,651	-
Interest on long-term debt	245,849	-	-	-	(245,849)	-	(245,849)	-
Total Governmental Activities	<u>19,751,859</u>	<u>3,759,067</u>	<u>536,535</u>	<u>492,245</u>	<u>(14,964,012)</u>	<u>-</u>	<u>(14,964,012)</u>	<u>-</u>
<b>Business-type Activities</b>								
Sewer	2,740,803	3,071,266	-	125,824	-	456,287	456,287	-
Environmental services	3,124,848	3,471,252	16,935	-	-	363,339	363,339	-
Total Business-type Activities	<u>5,865,651</u>	<u>6,542,518</u>	<u>16,935</u>	<u>125,824</u>	<u>-</u>	<u>819,626</u>	<u>819,626</u>	<u>-</u>
Total Primary Government	<u>\$ 25,617,510</u>	<u>10,301,585</u>	<u>553,470</u>	<u>618,069</u>	<u>(14,964,012)</u>	<u>819,626</u>	<u>(14,144,386)</u>	<u>-</u>
<b>Component Unit</b>								
Rolla Municipal Utilities	<u>\$ 30,002,584</u>	<u>30,436,234</u>	<u>-</u>	<u>1,293,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,727,160</u>
<b>General Revenues</b>								
Taxes:								
Property					1,257,043	-	1,257,043	-
Sales					9,327,969	-	9,327,969	-
Motor vehicle taxes					771,610	-	771,610	-
Payment in lieu of taxes					1,513,415	-	1,513,415	-
Other					465,951	-	465,951	-
Franchise fees					592,398	-	592,398	-
Investment income					47,182	168,244	215,426	98,699
Other					229,209	79,117	308,326	203,188
Transfers					368,500	(368,500)	-	-
Total General Revenues And Transfers					<u>14,573,277</u>	<u>(121,139)</u>	<u>14,452,138</u>	<u>301,887</u>
<b>CHANGE IN NET POSITION</b>					(390,735)	698,487	307,752	2,029,047
NET POSITION, OCTOBER 1 AS RESTATED					<u>79,690,264</u>	<u>24,063,355</u>	<u>103,753,619</u>	<u>52,291,955</u>
NET POSITION, SEPTEMBER 30					<u>\$ 79,299,529</u>	<u>24,761,842</u>	<u>104,061,371</u>	<u>54,321,002</u>



**CITY OF ROLLA, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2016**

	<u>General</u>	<u>Street</u>	<u>Recreation Center</u>	<u>Parks</u>	<u>Airport</u>	<u>Cemetery</u>	<u>Park Land Reserve</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 818,986	1,928,223	2,895,096	-	16,855	335,996	74,100	6,069,256
Taxes receivable, net	1,081,070	738,253	-	163,770	-	-	-	1,983,093
Other accounts receivable	132,389	54,216	1,513	235	6,067	-	-	194,420
Court fines receivable, net	56,232	-	-	-	-	-	-	56,232
Due from other funds	510,822	-	-	-	-	-	-	510,822
Intergovernmental receivable	16,982	-	-	-	-	-	-	16,982
Inventory	-	-	-	-	30,129	-	-	30,129
Prepaid items	331,840	48,507	47,484	26,877	7,755	-	-	462,463
Special assessments receivable	264,510	-	-	-	-	-	-	264,510
Restricted cash and cash equivalents	813,099	-	-	-	-	-	-	813,099
Total Assets	<u>\$ 4,025,930</u>	<u>2,769,199</u>	<u>2,944,093</u>	<u>190,882</u>	<u>60,806</u>	<u>335,996</u>	<u>74,100</u>	<u>10,401,006</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 453,796	340,586	57,456	25,293	20,280	-	-	897,411
Accrued liabilities	96,589	7,550	12,836	6,829	1,983	-	-	125,787
Due to other funds	-	-	-	41,980	468,842	-	-	510,822
Police evidence payable	17,080	-	-	-	-	-	-	17,080
Court bonds payable	5,800	-	-	-	-	-	-	5,800
Refundable permits	55,170	-	-	-	-	-	-	55,170
Total Liabilities	<u>628,435</u>	<u>348,136</u>	<u>70,292</u>	<u>74,102</u>	<u>491,105</u>	<u>-</u>	<u>-</u>	<u>1,612,070</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue								
Special assessments	57,612	-	-	-	-	-	-	57,612
Court fines	11,444	-	-	-	-	-	-	11,444
Taxes	-	8,487	-	-	-	-	-	8,487
Total Deferred Inflows Of Resources	<u>69,056</u>	<u>8,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,543</u>
<b>FUND BALANCES</b>								
Nonspendable:								
Inventory	-	-	-	-	30,129	-	-	30,129
Prepaid items	331,840	48,507	47,484	26,877	7,755	-	-	462,463
Due from other funds - long-term	468,842	-	-	-	-	-	-	468,842
Restricted for:								
Police	305,053	-	-	-	-	-	-	305,053
Animal shelter	447,181	-	-	-	-	-	-	447,181
TIF-EATS	23,206	-	-	-	-	-	-	23,206
Committed for:								
Depreciation and replacement	-	-	2,982,711	-	-	-	-	2,982,711
Assigned for:								
Risk management	213,641	5,535	7,300	6,602	1,131	-	-	234,209
Street	-	2,358,534	-	-	-	-	-	2,358,534
Parks and recreation	-	-	-	83,301	-	-	-	83,301
Cemetery	-	-	-	-	-	335,996	-	335,996
Park land reserve	-	-	-	-	-	-	74,100	74,100
Unassigned	1,538,676	-	(163,694)	-	(469,314)	-	-	905,668
Total Fund Balances	<u>3,328,439</u>	<u>2,412,576</u>	<u>2,873,801</u>	<u>116,780</u>	<u>(430,299)</u>	<u>335,996</u>	<u>74,100</u>	<u>8,711,393</u>
Total Liabilities, Deferred Inflows Of Resources, And Fund Balances	<u>\$ 4,025,930</u>	<u>2,769,199</u>	<u>2,944,093</u>	<u>190,882</u>	<u>60,806</u>	<u>335,996</u>	<u>74,100</u>	<u>10,401,006</u>

**CITY OF ROLLA, MISSOURI**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERN-**  
**MENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

---

Total Fund Balances - Governmental Funds \$ 8,711,393

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$133,848,237 and the accumulated depreciation is \$56,695,282. 77,152,955

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 77,543

Certain items are not financial resources and, therefore, are not reported in the governmental funds. These items consist of:

Net pension asset	1,271,576
Deferred outflows - pension related	3,714,014
Deferred inflows - pension related	(608,255)
OPEB obligation	(1,256,020)

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

Bonds and certificates of participation payable	(6,011,341)
Capital leases	(3,074,584)
Accrued compensated absences	(959,396)
Accrued interest payable	(44,746)
Unamortized bond discount	1,907
Unamortized bond premium	(66,144)
Unamortized bond deferred charges	29,054

The Internal Service Fund is 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 position. 361,573

Total Net Position Of Governmental Activities \$ 79,299,529

**CITY OF ROLLA, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>General</u>	<u>Street</u>	<u>Recreation Center</u>	<u>Parks</u>	<u>Airport</u>	<u>Cemetery</u>	<u>Park Land Reserve</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>								
Taxes	\$ 7,897,903	4,756,440	4,712	1,268,678	-	-	-	13,927,733
Licenses and permits	204,243	-	-	-	-	-	-	204,243
Intergovernmental	1,952,486	301,820	-	-	4,545	-	-	2,258,851
Charges for services	53,651	247,769	1,134,768	209,948	260,035	20,035	-	1,926,206
Fines and forfeitures	211,096	-	-	-	-	-	-	211,096
Investment income	9,420	14,336	18,746	2,986	16	1,581	97	47,182
Miscellaneous	64,352	102,660	23,156	18,566	2,005	-	2,328	213,067
Total Revenues	<u>10,393,151</u>	<u>5,423,025</u>	<u>1,181,382</u>	<u>1,500,178</u>	<u>266,601</u>	<u>21,616</u>	<u>2,425</u>	<u>18,788,378</u>
<b>EXPENDITURES</b>								
Current:								
Administrative	384,757	-	-	-	-	-	-	384,757
Administrator	298,697	-	-	-	-	-	-	298,697
Finance	520,945	-	-	-	-	-	-	520,945
Legal services	59,631	-	-	-	-	-	-	59,631
City court	83,999	-	-	-	-	-	-	83,999
911 telecommunications	1,020,732	-	-	-	-	-	-	1,020,732
Animal shelter	126,834	-	-	-	-	-	-	126,834
Police	3,048,766	-	-	-	-	-	-	3,048,766
Fire	2,319,190	-	-	-	-	-	-	2,319,190
Building maintenance	75,627	-	-	-	-	-	-	75,627
Engineering	719,314	-	-	-	-	-	-	719,314
Community development	340,070	-	-	-	-	-	-	340,070
Library	187,512	-	-	-	-	-	-	187,512
Economic development	302,880	-	-	-	-	-	-	302,880
Public works	-	2,102,291	-	-	-	-	-	2,102,291
Parks and recreation	-	-	1,366,709	916,703	-	-	-	2,283,412
Airport	-	-	-	-	497,776	-	-	497,776
Capital outlay	819,916	3,763,731	111,462	127,629	23,868	-	-	4,846,606
Debt service:								
Principal	339,905	729,672	17,634	335,000	36,436	-	-	1,458,647
Interest and other fiscal charges	106,832	132,021	6,485	8,375	13,399	-	-	267,112
Total Expenditures	<u>10,755,607</u>	<u>6,727,715</u>	<u>1,502,290</u>	<u>1,387,707</u>	<u>571,479</u>	<u>-</u>	<u>-</u>	<u>20,944,798</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(362,456)</u>	<u>(1,304,690)</u>	<u>(320,908)</u>	<u>112,471</u>	<u>(304,878)</u>	<u>21,616</u>	<u>2,425</u>	<u>(2,156,420)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Capital lease	-	460,000	-	-	-	-	-	460,000
Sale of capital assets	-	125,849	-	-	-	-	-	125,849
Transfers in	974,175	-	-	1,440	250,000	-	-	1,225,615
Transfers out	<u>(250,000)</u>	<u>(492,500)</u>	<u>(63,900)</u>	<u>(49,275)</u>	<u>-</u>	<u>(1,440)</u>	<u>-</u>	<u>(857,115)</u>
Total Other Financing Sources (Uses)	<u>724,175</u>	<u>93,349</u>	<u>(63,900)</u>	<u>(47,835)</u>	<u>250,000</u>	<u>(1,440)</u>	<u>-</u>	<u>954,349</u>
<b>NET CHANGE IN FUND BALANCES</b>	361,719	(1,211,341)	(384,808)	64,636	(54,878)	20,176	2,425	(1,202,071)
FUND BALANCES, OCTOBER 1	<u>2,966,720</u>	<u>3,623,917</u>	<u>3,258,609</u>	<u>52,144</u>	<u>(375,421)</u>	<u>315,820</u>	<u>71,675</u>	<u>9,913,464</u>
<b>FUND BALANCES, SEPTEM- BER 30</b>	<u>\$ 3,328,439</u>	<u>2,412,576</u>	<u>2,873,801</u>	<u>116,780</u>	<u>(430,299)</u>	<u>335,996</u>	<u>74,100</u>	<u>8,711,393</u>

**CITY OF ROLLA, MISSOURI**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net Change In Fund Balances - Governmental Funds \$ (1,202,071)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays over the capitalization threshold (\$3,698,670) exceeded depreciation (\$3,141,997) in the current period. 556,673

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, donations) is to increase net position. 82,289

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds financial statements. 653

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, the governmental funds report the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.

Capital lease	(460,000)	
Repayments:		
Capital leases	464,602	
Bonds and certificates of participation payable	994,045	
Amortization	11,863	
Net Adjustment	1,010,510	1,010,510

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

Accrued interest on debt	9,176	
Accrued compensated absences	(29,332)	
Pension expense	(480,785)	(500,941)

The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The net expense of certain activities of the Internal Service Fund is reported with governmental activities. (143,348)

Change In Net Position Of Governmental Activities \$ (196,235)

**CITY OF ROLLA, MISSOURI**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2016**

	<b>Enterprise Funds</b>			<b>Internal Service Fund</b>
	<b>Sewer</b>	<b>Environmental Services</b>	<b>Total</b>	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,447,928	866,376	2,314,304	548,566
Utilities receivable, net	578,390	375,669	954,059	-
Other accounts receivable	-	-	-	11,901
Accrued interest receivable	13,884	-	13,884	-
Prepaid items	32,693	59,690	92,383	-
Total Current Assets	<u>2,072,895</u>	<u>1,301,735</u>	<u>3,374,630</u>	<u>560,467</u>
<b>Noncurrent Assets</b>				
Cash and cash equivalents - restricted	1,186,347	-	1,186,347	-
Investments - restricted	1,232,203	-	1,232,203	-
Net pension asset	97,752	176,182	273,934	-
Capital assets:				
Land	696,733	670,663	1,367,396	-
Construction in progress	3,081,735	-	3,081,735	-
Buildings	1,863,017	2,912,070	4,775,087	-
Sewer treatment plant	14,921,589	-	14,921,589	-
Sewer mains and lines	13,219,888	-	13,219,888	-
Manhole covers	1,459,701	-	1,459,701	-
Major moveable equipment	1,864,036	3,626,730	5,490,766	-
Less - Accumulated depreciation	(13,518,953)	(3,364,385)	(16,883,338)	-
Total Capital Assets	<u>23,587,746</u>	<u>3,845,078</u>	<u>27,432,824</u>	<u>-</u>
Total Noncurrent Assets	<u>26,104,048</u>	<u>4,021,260</u>	<u>30,125,308</u>	<u>-</u>
Total Assets	<u>28,176,943</u>	<u>5,322,995</u>	<u>33,499,938</u>	<u>560,467</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - pension related	324,031	584,015	908,046	-
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	96,977	103,305	200,282	188,167
Accrued liabilities	16,967	25,014	41,981	-
Unearned revenue	-	-	-	10,727
Accrued interest payable	76,558	-	76,558	-
Arbitrage payable	82,053	-	82,053	-
Current maturities of long-term debt	805,092	53,130	858,222	-
Total Current Liabilities	<u>1,077,647</u>	<u>181,449</u>	<u>1,259,096</u>	<u>198,894</u>
<b>Noncurrent Liabilities</b>				
Certificates of participation payable	4,090,334	-	4,090,334	-
Revenue bonds payable, net	2,997,375	-	2,997,375	-
Payable to other governments	1,064,000	-	1,064,000	-
Compensated absences payable	26,766	53,129	79,895	-
Total Noncurrent Liabilities	<u>8,178,475</u>	<u>53,129</u>	<u>8,231,604</u>	<u>-</u>
Total Liabilities	<u>9,256,122</u>	<u>234,578</u>	<u>9,490,700</u>	<u>198,894</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pension related	55,469	99,973	155,442	-
<b>NET POSITION</b>				
Net investment in capital assets	16,282,277	3,845,078	20,127,355	-
Restricted	711,932	-	711,932	-
Unrestricted	2,195,174	1,727,381	3,922,555	361,573
Total Net Position	<u>\$ 19,189,383</u>	<u>5,572,459</u>	<u>24,761,842</u>	<u>361,573</u>

**CITY OF ROLLA, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN**  
**NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Enterprise Funds</b>			<b>Internal Service Fund</b>
	<b>Sewer</b>	<b>Environmental Services</b>	<b>Total</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,071,115	3,471,252	6,542,367	-
Charges to other departments	-	-	-	2,085,761
Contributions - employees	-	-	-	737,928
Miscellaneous	151	-	151	-
Total Operating Revenues	<u>3,071,266</u>	<u>3,471,252</u>	<u>6,542,518</u>	<u>2,823,689</u>
<b>OPERATING EXPENSES</b>				
Personnel services	772,307	1,393,649	2,165,956	-
Contractual services	62,055	14,845	76,900	-
Repairs and maintenance	338,543	141,401	479,944	-
Supplies	62,475	350,578	413,053	-
Utilities	296,583	22,511	319,094	-
Insurance claims and expenses	40,459	72,160	112,619	2,969,773
Landfill	-	702,599	702,599	-
Depreciation	703,548	327,797	1,031,345	-
Miscellaneous	97,537	99,308	196,845	-
Total Operating Expenses	<u>2,373,507</u>	<u>3,124,848</u>	<u>5,498,355</u>	<u>2,969,773</u>
<b>OPERATING INCOME (LOSS)</b>	<u>697,759</u>	<u>346,404</u>	<u>1,044,163</u>	<u>(146,084)</u>
<b>NONOPERATING REVENUES</b>				
<b>(EXPENSES)</b>				
Intergovernmental	-	16,935	16,935	-
Investment income	167,789	455	168,244	2,736
Gain on sale of capital assets	63,056	16,061	79,117	-
Interest and fiscal charges	(367,296)	-	(367,296)	-
Total Nonoperating Revenues (Expenses)	<u>(136,451)</u>	<u>33,451</u>	<u>(103,000)</u>	<u>2,736</u>
<b>INCOME (LOSS) BEFORE CAPITAL CON- TRIBUTIONS AND TRANSFERS</b>	561,308	379,855	941,163	(143,348)
CAPITAL CONTRIBUTIONS	125,824	-	125,824	-
TRANSFERS OUT	<u>(224,700)</u>	<u>(143,800)</u>	<u>(368,500)</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	462,432	236,055	698,487	(143,348)
NET POSITION, OCTOBER 1	<u>18,726,951</u>	<u>5,336,404</u>	<u>24,063,355</u>	<u>504,921</u>
<b>NET POSITION, SEPTEMBER 30</b>	<u>\$ 19,189,383</u>	<u>5,572,459</u>	<u>24,761,842</u>	<u>361,573</u>

See notes to financial statements

**CITY OF ROLLA, MISSOURI**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Sewer</u>	<u>Environmental Services</u>	<u>Total</u>	
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 3,031,743	3,436,353	6,468,096	2,824,034
Cash paid to suppliers	(1,035,765)	(1,432,817)	(2,468,582)	(3,034,270)
Cash paid to employees	(753,627)	(1,403,947)	(2,157,574)	-
Net Cash Provided By (Used In) Operating Activities	<u>1,242,351</u>	<u>599,589</u>	<u>1,841,940</u>	<u>(210,236)</u>
<b>Cash flows from noncapital financing activities:</b>				
Operating grants	-	16,935	16,935	-
Payments to other governments	(255,500)	-	(255,500)	-
Operating transfer out	(224,700)	(143,800)	(368,500)	-
Net Cash Used In Noncapital Financing Activities	<u>(480,200)</u>	<u>(126,865)</u>	<u>(607,065)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	(44,355)	(180,402)	(224,757)	-
Proceeds from sale of capital assets	63,056	21,910	84,966	-
Payment of bond principal	(500,000)	-	(500,000)	-
Payment of interest expense	(379,603)	-	(379,603)	-
Payment of principal on COPs	(245,955)	-	(245,955)	-
Net Cash Used In Capital And Related Financing Activities	<u>(1,106,857)</u>	<u>(158,492)</u>	<u>(1,265,349)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Maturity of investments	252,141	-	252,141	-
Investment income	170,811	455	171,266	2,736
Net Cash Provided By Investing Activities	<u>422,952</u>	<u>455</u>	<u>423,407</u>	<u>2,736</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>78,246</b>	<b>314,687</b>	<b>392,933</b>	<b>(207,500)</b>
<b>CASH AND CASH EQUIVALENTS, OCTOBER 1</b>	<u>2,556,029</u>	<u>551,689</u>	<u>3,107,718</u>	<u>756,066</u>
<b>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</b>	<u>\$ 2,634,275</u>	<u>866,376</u>	<u>3,500,651</u>	<u>548,566</u>

**CITY OF ROLLA, MISSOURI**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Sewer</u>	<u>Environmental Services</u>	<u>Total</u>	
<b>RECONCILIATION OF OPERATING</b>				
<b>INCOME (LOSS) TO NET CASH PROVIDED</b>				
<b>BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 697,759	346,404	1,044,163	(146,084)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	703,548	327,797	1,031,345	-
(Increase) decrease in:				
Utilities receivable	(39,523)	(34,899)	(74,422)	-
Other accounts receivable	-	-	-	345
Prepaid items	(3,131)	(7,427)	(10,558)	-
Net pension asset	219,832	353,228	573,060	-
Deferred outflows - pension related	(198,348)	(374,503)	(572,851)	-
Increase (decrease) in:				
Accounts payable	(134,728)	(21,988)	(156,716)	(49,903)
Accrued liabilities	(17,200)	(32,067)	(49,267)	(14,594)
Compensated absences	(8,860)	(3,230)	(12,090)	-
Arbitrage payable	(254)	-	(254)	-
Deferred inflows - pension related	23,256	46,274	69,530	-
Total Adjustments	<u>544,592</u>	<u>253,185</u>	<u>797,777</u>	<u>(64,152)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,242,351</u>	<u>599,589</u>	<u>1,841,940</u>	<u>(210,236)</u>

Noncash investing, capital, and financing activities:

Sewer Fund received \$125,824, in contributed sewer lines from developers.



**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 (RMU) provides water and electric services.

The accounting and financial reporting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The following is a summary of the more significant policies:

**1. Reporting Entity**

The financial statements of the City include the financial activities of the City and any component units, entities which are financially accountable to the City.

**Discretely Presented Component Unit**

RMU was established by City Ordinance in 1944. RMU is operated by a Board of Public Works, the members of which are appointed by the Mayor and approved by the City Council. In accordance with GASB Statement No. 14, after consideration of the financial benefits and other criteria, RMU has been included as a component unit in the City's reporting entity and is discretely presented as such in the basic financial statements. RMU's audited component unit financial statements for the year ended September 30, 2016, are available in their entirety at RMU.

**Related Organization**

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 (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 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 Landfill Board operates a transfer station for disposal of area solid waste.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Government-wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The City reports the following major governmental funds:

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

**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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payment-in-lieu of taxes and other charges and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**4. 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 when historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimate fair 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 Statement No. 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:

<b>Assets</b>	<b>Years</b>
<b>Primary Government</b>	
Major moveable equipment	4 - 10
Sewer mains and lines	100
Sewer plant	40
Manhole additions	100
Buildings and improvements	10 - 30
Streets	50
Wearing surfaces	7 - 13
Inlets	100
Sidewalks	50
Storm sewers	50 - 100

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Capital Assets (Continued)**

Assets	Years
<b>RMU</b>	
Electric plant:	
General electric plant	20
Transportation equipment	6 <sup>2</sup> / <sub>3</sub>
Power operated equipment	6 <sup>2</sup> / <sub>3</sub>
Stores, laboratory tools, communication and miscellaneous equipment	10
Water plant:	
General water plant	33 <sup>1</sup> / <sub>3</sub>
Pumping plant	10
Chlorination and fluoridation equipment	20
Laboratory and general equipment	10

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

**5. 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.

**6. Inventory**

**Primary Government**

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

**RMU**

Inventories are stated at the lower of cost or market. Cost is determined using the average cost method.

**7. 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.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**7. Compensated Absences (Continued)**

Upon retirement or resignation in good faith, full-time employees are entitled to one-fourth (1/4) regular pay; [one-sixth (1/6) regular pay for nonexempt fire personnel] for the first nine weeks unused sick leave and one-half (1/2) regular pay [one-third (1/3) regular pay for fire personnel] 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 position 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:

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

Compensated absences are recorded as a liability in the statement of net position.

**RMU**

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.

**8. Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**9. 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 Borrowing and Certain Gifts and Grants*.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**10. 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.

**11. 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.

**RMU**

For purposes of the statement of cash flow, RMU 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 on investments are determined by closing market prices at year-end as reported by the custodian.

**12. Fund Balance Policies**

The fund balance amounts are reported in the following applicable categories listed from the most restrictive to the least restrictive:

**Nonspendable** -- The portion of a governmental fund's fund balances that are not in a spendable form or are required to be maintained intact.

**Restricted** -- The portion of a governmental fund's fund balances that are subject to external restrictions and constrained to specific purposes imposed by agreement, through constitutional provisions, or by enabling legislation.

**Committed** -- The portion of a governmental fund's fund balances with self-imposed constraints or limitations by formal action (resolution) of the City Council, the 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** -- The portion of fund balance that the City intends to use for a specific purpose, as determined by the applicable designated officials to which the City Council has designated authority. Intent can be expressed by the City Council in the form of a motion. Action by the City Council must occur prior to year-end.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**12. Fund Balance Policies (Continued)**

**Unassigned** -- Amounts that are available for any purpose; these positive amounts are reported only in the General Fund.

When an expenditure is incurred in governmental funds which may be paid using either restricted or unrestricted resources, the City's policy is to pay the expenditure from the restricted fund balance and then from less restrictive classification - committed, assigned, and then unassigned fund balances.

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

**13. Pensions**

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS' fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. LAGERS' investments are reported at fair value.

**14. 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.

**15. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has two items that qualifies for reporting in this category in the government-wide statement of net position. The first item is the deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is deferred outflows related to the pension.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**15. Deferred Outflows/Inflows of Resources (Continued)**

acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two type items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting noted as unavailable revenues which, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from various sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts have become available. The second item is deferred inflows related to the pension on the government-wide financial statements.

**16. Interfund Transactions**

In the fund financial statements, the City has the following types of transactions among funds:

**Transfers** -- Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

**NOTE B - CASH AND INVESTMENTS**

**1. Deposits**

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

As of September 30, 2016, the City's bank balances totaled \$11,077,851. Of the City's bank balance \$4,791,942 was covered by federal depository insurance and \$6,223,121 was covered by additional pledged collateral in the City's name. The amount of uninsured or uncollateralized deposits totaled \$62,788 at September 30, 2016.

As of September 30, 2016, RMU's bank balances were entirely secured or collateralized with securities held by RMU or by its agent in RMU's name.

**2. Investments**

As of September 30, 2016, the City had the following investments:

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - CASH AND INVESTMENTS (Continued)**

**2. Investments (Continued)**

	<b>Fair Value</b>	<b>Maturities</b>			<b>Credit Risk</b>
		<b>No Maturity</b>	<b>1 - 5 Years</b>	<b>6 - 10 Years</b>	
<b>Primary Government</b>					
Guaranteed investment contracts	\$ 1,232,017	-	1,232,017	-	Not rated
State and local government series	185	-	185	-	AAA
Money market fund	125,364	125,364	-	-	Not rated
Total Investments	<u>\$ 1,357,566</u>	<u>125,364</u>	<u>1,232,202</u>	<u>-</u>	

**Investments Policies**

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with its investment policy, the City minimizes credit risk by diversifying the portfolio to reduce potential losses on individual securities.

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

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the City's investment in a single issuer. In accordance with its investment policy, the City minimizes concentration of credit risk by diversifying the investment portfolio.

Concentration of credit risk is required to be disclosed by the City for investments in any one issuer that represent 5% or more of total investments (investments issued by or explicitly guaranteed by the United States Government, investments in mutual funds, investments in external investment pools, and investments in other pooled investments are exempt). Defined benefit plans are required to disclose investments in any one issuer that represent 5% or more of total plan net position with the same exemptions as above. At September 30, 2016, the City had the following investment concentrations:

<b>Primary Government</b>	<b>Fair Value</b>	<b>Percent Of Total Investments</b>
Money market funds	\$ 125,364	9.23 %
Guaranteed investment contracts	1,232,017	90.77

**NOTE B - CASH AND INVESTMENTS (Continued)**

**3. Fair Value Measurements**

The City classifies its fair value measurements within the fair value hierarchy established by accounting principles generally in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The inputs and methodologies used for valuing investment securities are not necessarily an indication of risk associated with investing in those securities.

The City has the following recurring fair value level measurements as of September 30, 2016:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Primary Government</b>				
Investments by fair value level:				
State and local government series	\$ 185	-	185	-
Investments not subject to fair value level classification:				
Guaranteed investment contracts	1,232,017			
Money market funds	125,364			
Total Investments	\$ 1,357,566			

**NOTE C - ACCOUNTS RECEIVABLE**

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

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - ACCOUNTS RECEIVABLE (Continued)**

	<b>For The Year Ended September 30, 2016</b>		
	<b>Accounts Receivable</b>	<b>Allowance</b>	<b>Net Accounts Receivable</b>
<b>Primary Government</b>			
Taxes receivables:			
General Fund	\$ 1,086,120	(5,050)	1,081,070
Street Fund	738,253	-	738,253
Parks and Recreation Fund	163,770	-	163,770
	<u>\$ 1,988,143</u>	<u>(5,050)</u>	<u>1,983,093</u>
Total Taxes Receivables			
Utilities receivables:			
Sewer Fund	\$ 584,590	(6,200)	578,390
Environmental Services Fund	375,669	-	375,669
	<u>\$ 960,259</u>	<u>(6,200)</u>	<u>954,059</u>
Total Utilities Receivables			
Court fines receivable:			
General Fund	\$ 134,561	(78,329)	56,232
	<u>\$ 134,561</u>	<u>(78,329)</u>	<u>56,232</u>
<b>RMU</b>			
Accounts receivables:			
Utilities receivable including refundable deposits	\$ 596,919	(60,000)	536,919
Unbilled utilities receivable	1,631,662	-	1,631,662
Other	97,371	-	97,371
	<u>\$ 2,325,952</u>	<u>(60,000)</u>	<u>2,265,952</u>
Total Accounts Receivables			

**NOTE D - RESTRICTED ASSETS**

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

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - RESTRICTED ASSETS (Continued)**

	<b>September 30, 2016</b>	
	<b>Restricted Cash And Investments</b>	<b>Restricted Net Position</b>
<b>General Fund</b>		
Court bonds	\$ 5,800	-
TIF deposits	37,876	23,206
Police evidence	17,080	-
Seizures and forfeitures	305,053	305,053
Animal control shelter	447,181	447,181
Property fire	109	-
	<u>\$ 813,099</u>	<u>775,440</u>
Total General Fund	<u>\$ 813,099</u>	<u>775,440</u>
<b>Sewer Fund</b>		
1996E Revenue Bonds:		
Reserve account	\$ 35,000	-
Rebate account	3,382	-
Debt service reserve	796	796
Principal and interest	44,843	44,843
2000A Revenue Bonds:		
Reserve account	1,029,000	-
Rebate account	60,440	-
Principal and interest	122,564	122,564
2006B Revenue Bonds:		
Rebate account	18,231	-
Principal and interest	43,311	43,311
Depreciation and replacement	500,418	500,418
2012B Certificates of Participation proceeds	560,565	-
	<u>\$ 2,418,550</u>	<u>711,932</u>
Total Sewer Fund	<u>\$ 2,418,550</u>	<u>711,932</u>

**NOTE E - LONG-TERM LIABILITIES**

**Governmental Activities**

Long-term debt of the City consists of nine capital lease purchase agreements, Series 2012 and Series 2015 certificates of participation, one general obligation bond issue payable, and compensated absences payable.

**NOTE E - LONG-TERM LIABILITIES (Continued)**

**Series 2012 Certificates of Participation**

On, June 29, 2012, the City issued \$2,755,000 of Series 2012 certificates of participation. The certificates of participation were issued to refinance the 2010 DNR Energy Efficiency Project and are split between governmental and business-type activities. The certificates of participation bear interest from 2% to 3.40% and are due on January 1, 2027.

**Capital Leases**

On March 21, 2005, the City entered into a 20-year lease purchase agreement to finance City Hall improvements. The agreement requires annual payments of \$187,621, including interest at 4.3%.

On May 1, 2007, the City entered into an 11-year lease purchase agreement to finance the purchase of a new fire truck. The agreement requires annual lease payments of \$65,120, including interest at 6.37%.

On September 5, 2007, the City entered into a 20-year lease purchase agreement to finance the purchase of forest service land. This is a noninterest 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%.

On February 15, 2011, the City entered into a 9-year 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%.

On February 8, 2013, the City entered into a 10-year lease purchase agreement to finance the purchase of a new fire truck. The agreement requires annual lease payments of \$50,432, which includes interest at 2.35%.

On February 8, 2013, the City entered into a 5-year lease purchase agreement to finance the purchase of a new track loader, street sweeper, and backhoe for public works. The agreement requires lease payments of \$70,079, which includes interest at 1.45%.

On March 19, 2014, the City entered into a 5-year lease purchase agreement to finance the purchase of a new motor grader and dump truck. The agreement requires lease payments of \$52,701, which includes interest at 1.78%.

On March 13, 2015, the City entered into a 5-year lease purchase agreement to finance the purchase of public works equipment. The agreement requires annual lease payments of \$40,851, which includes interest at 1.74%.

On March 8, 2016 the City entered into a 5-year lease purchase agreement to finance the purchase of public works equipment. The agreement requires annual lease payments of \$97,071, which includes interest at 1.79%.

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - LONG-TERM LIABILITIES (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.

The assets acquired through the capital leases are as follows:

	<b>September 30 2016</b>
Land	\$ 356,512
Building	1,763,319
Machinery and equipment	3,223,791
Total Cost	5,343,622
Less - Accumulated depreciation	2,318,914
Net Book Value	\$ 3,024,708

The total annual minimum lease payments required at September 30, 2016, are as follows:

For The Years Ending September 30	City Hall Improve- ments	2007 Fire Truck	Forest Land	2011 Fire Truck	2013 Fire Truck	Public Works Equip- ment	Public Works Equip- ment	Public Works Equip- ment	Public Works Equip- ment	Total
2017	\$ 187,621	65,120	25,550	76,794	50,432	70,079	52,701	40,851	97,071	666,219
2018	187,621	65,120	25,550	76,794	50,432	-	52,701	40,851	97,071	596,140
2019	187,621	-	25,550	76,794	50,432	-	52,701	40,851	97,071	531,020
2020	187,621	-	25,550	76,794	50,432	-	-	40,851	97,071	478,319
2021	187,621	-	25,550	-	50,432	-	-	-	97,071	360,674
2022 - 2026	657,219	-	127,750	-	50,432	-	-	-	-	835,401
2027	-	-	25,550	-	-	-	-	-	-	25,550
Total Minimum										
Lease Payments	1,595,324	130,240	281,050	307,176	302,592	70,079	158,103	163,404	485,355	3,493,323
Less - Interest	(270,709)	(7,047)	(57,221)	(21,656)	(23,409)	(1,002)	(5,464)	(6,876)	(25,355)	(418,739)
Principal Bal- ance, Septem- ber 30, 2016	\$ 1,324,615	123,193	223,829	285,520	279,183	69,077	152,639	156,528	460,000	3,074,584

**Series 2012 General Obligation Refunding Bonds**

On September 5, 2012, the City issued \$3,445,000 in general obligation refunding bonds due on March 1, 2019, with interest at 2%.

<b>September 30 2016</b>
<b>\$1,800,000</b>

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - LONG-TERM LIABILITIES (Continued)**

**Series 2015 Certificates of Participation**

On, July 1, 2015, the City issued \$3,445,000 of Series 2015 certificates of participation for streets, parking lots and to fund local parks. The certificates of participation bear interest from 1.5% to 3.0% and are due on February 1, 2025.

\$3,095,000

Principal and interest payments are due as follows:

For The Years Ending September 30	General Obligation bonds			Series 2015 Certificates Of Participation		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 580,000	30,200	610,200	-	75,348	75,348
2018	600,000	18,400	618,400	-	75,348	75,348
2019	620,000	6,200	626,200	-	75,348	75,348
2020	-	-	-	485,000	70,983	555,983
2021	-	-	-	495,000	61,544	556,544
2022 - 2025	-	-	-	2,115,000	120,953	2,235,953
Total	<u>\$ 1,800,000</u>	<u>54,800</u>	<u>1,854,800</u>	<u>3,095,000</u>	<u>479,524</u>	<u>3,574,524</u>

A summary of changes in long-term liabilities for governmental activities is as follows:

	For The Year Ended September 30, 2016			Balance September 30 2016	Amounts Due Within One Year
	Balance September 30 2015	Additions	Deletions		
Capital leases payable	\$ 3,079,186	460,000	464,602	3,074,584	567,176
General obligation bonds	2,360,000	-	560,000	1,800,000	580,000
Plus - Premium on bonds	88,192	-	22,048	66,144	-
Certificates of participation	4,645,386	-	434,045	4,211,341	86,675
Less - Discount on bonds	(2,131)	-	(224)	(1,907)	-
Compensated absences payable	930,064	494,364	465,032	959,396	479,698
Total Governmental Activities Long- term Liabilities	<u>\$ 11,100,697</u>	<u>954,364</u>	<u>1,945,503</u>	<u>10,109,558</u>	<u>1,713,549</u>

The liability for compensated absences is generally liquidated by the General Fund.



**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - LONG-TERM LIABILITIES (Continued)**

**Business-type Activities**

Long-term debt in the Sewer Fund consists of the 1996E and 2000A Wastewater System Revenue Bonds, the 2006B Sewerage System Revenue Bonds, and the Series 2012 and 2012B certificates of participation.

**Series 2012 Certificates of Participation**

On June 29, 2012, the City issued \$2,755,000 of Series 2012 certificates of participation. The certificates of participation were issued to refinance the 2010 DNR Energy Efficiency Project and are split between governmental and business-type activities. The certificates of participation bear interest from 2% to 3.4% and are due on January 1, 2027.

The annual debt service requirements on the Series 2012 certificates of participation, split between the Sewer Fund and the governmental activities of the City, at September 30, 2016, are as follows:

<b>For The Years Ending September 30</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 86,675	29,200	78,325	26,388	165,000	55,588
2018	86,675	27,466	78,325	24,821	165,000	52,287
2019	89,301	25,595	80,699	23,130	170,000	48,725
2020	91,927	23,488	83,073	21,225	175,000	44,713
2021	94,554	21,155	85,446	19,117	180,000	40,272
2022 - 2026	517,421	61,869	467,579	55,910	985,000	117,779
2027	149,788	1,921	65,212	1,734	215,000	3,655
Total	<u>\$ 1,116,341</u>	<u>190,694</u>	<u>938,659</u>	<u>172,325</u>	<u>2,055,000</u>	<u>363,019</u>

**Series 2012B Certificates of Participation**

In October 2012, the City issued \$4,080,000 of Series 2012B certificates of participation. The certificates of participation were issued to pay the costs of acquiring, constructing, and equipping improvements to the City's sewer system. The certificates of participation bear interest from 2% to 3.45% and are due on July 1, 2032.

The annual debt service requirements on the Series 2012B certificates of participation at September 30, 2016, are as follows:

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - LONG-TERM LIABILITIES (Continued)**

<u>For The Years Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 170,000	103,612	273,612
2018	175,000	100,212	275,212
2019	180,000	94,962	274,962
2020	185,000	89,562	274,562
2021	190,000	85,123	275,123
2022 - 2026	1,030,000	342,495	1,372,495
2027 - 2031	1,205,000	171,168	1,376,168
2032	265,000	9,143	274,143
Total	<u>\$ 3,400,000</u>	<u>996,277</u>	<u>4,396,277</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%. The interest paid is offset by an interest subsidy from the State of Missouri's 50% bond reserves, which earn interest at 5.2%. 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 0.714% of the outstanding principal balance.

The annual debt service requirements to amortize the principal on the 1996E revenue bonds outstanding at September 30, 2016, are as follows:

<u>For The Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
2017	<u>\$ 50,000</u>	<u>1,313</u>	<u>357</u>	<u>51,670</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 5.4%. 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 0.714% of the outstanding principal balance.

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - LONG-TERM LIABILITIES (Continued)**

The annual debt service requirements to amortize the principal on the 2000A revenue bonds outstanding at September 30, 2016, are as follows:

<b>For The Years Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Administrative Fee</b>	<b>Total</b>
2017	\$ 340,000	82,738	10,495	433,233
2018	355,000	63,868	8,068	426,936
2019	375,000	43,987	5,533	424,520
2020	400,000	22,800	2,856	425,656
Total	<u>\$ 1,470,000</u>	<u>213,393</u>	<u>26,952</u>	<u>1,710,345</u>

**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% to 5%. 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 0.714% of the outstanding principal balance.

The annual debt service requirements to amortize the principal on the 2006B revenue bonds outstanding at September 30, 2016, are as follows:

<b>For The Years Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Administrative Fee</b>	<b>Total</b>
2017	\$ 140,000	90,088	13,994	244,082
2018	150,000	83,087	12,995	246,082
2019	155,000	77,087	11,923	244,010
2020	160,000	70,888	10,817	241,705
2021	165,000	64,488	9,675	239,163
2022 - 2026	970,000	188,938	29,310	1,188,248
2027	220,000	9,350	1,570	230,920
Total	<u>\$ 1,960,000</u>	<u>583,926</u>	<u>90,284</u>	<u>2,634,210</u>

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - LONG-TERM LIABILITIES (Continued)**

A summary of changes in long-term liabilities for business-type activities is as follows:

	<b>For The Year Ended September 30, 2016</b>			<b>Amounts Due Within One Year</b>	
	<b>Balance September 30 2015</b>	<b>Additions</b>	<b>Deletions</b>		<b>Balance September 30 2016</b>
Revenue bonds	\$ 3,980,000	-	500,000	3,480,000	530,000
Plus - Premium on bonds	52,112	-	4,737	47,375	-
Certificates of participation	4,584,614	-	245,955	4,338,659	248,325
Compensated absences	171,882	73,850	85,940	159,792	79,897
Total Business-type Activities Long- term Liabilities	<u>\$ 8,788,608</u>	<u>73,850</u>	<u>836,632</u>	<u>8,025,826</u>	<u>858,222</u>

**Payable to Other Governments**

In conjunction with the bonds dated December 1996 and March 2000, reserve accounts have been established with no-interest loans funded with federal capitalization grants and matching funds from the State of Missouri. When fully funded, these loans (reserve accounts) will be funded in an amount equal to 70% of the outstanding principal amount of such bonds. These reserve accounts are held in trust. As the principal amount of such bonds is repaid, the amounts held in the reserve accounts will be reduced such that the reserve accounts will equal 70% of the remaining principal of such bonds.

**RMU**

A summary of changes in long-term liabilities is as follows:

	<b>For The Year Ended September 30, 2016</b>			<b>Amounts Due Within One Year</b>	
	<b>Balance September 30 2015</b>	<b>Additions</b>	<b>Deletions</b>		<b>Balance September 30 2016</b>
Leases payable	\$ 12,796,000	-	818,000	11,978,000	849,000
Compensated absences	129,912	120,461	113,965	136,408	136,408
Total	<u>\$ 12,925,912</u>	<u>120,461</u>	<u>931,965</u>	<u>12,114,408</u>	<u>985,408</u>

**Leases Payable**

RMU entered into a lease purchase agreement during the year ended September 30, 2003, 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 \$140,000.

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - LONG-TERM LIABILITIES (Continued)**

RMU 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 2029 with interest at 3.885%. Current maturity of lease principal is \$709,000.

These lease purchase agreements provide for cancellation of the leases if RMU should fail to appropriate funds on the annual renewal dates. However, RMU does not foresee exercising its right to cancel. Therefore, these leases are accounted for as noncancelable capital leases.

The future minimum lease obligations and the net present value of these minimum lease payments are as follows:

<u>For The Years Ending September 30</u>	<u>Water Towers</u>	<u>Electric Substation</u>	<u>Total</u>
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 - 2026	380,353	5,574,695	5,955,048
2027 - 2029	-	2,530,339	2,530,339
Total Minimum Lease Payments	1,305,901	13,628,085	14,933,986
Less - Imputed interest	180,901	2,775,085	2,955,986
Present Value Of Minimum Lease Payments	\$ 1,125,000	10,853,000	11,978,000

The assets acquired through the capital leases are as follows:

	<u>September 30 2016</u>
Cost	\$ 17,033,496
Less - Accumulated depreciation	5,259,221
Net Book Value	\$ 11,774,275

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - CAPITAL ASSETS**

**Primary Government**

Capital asset activity for the governmental activities was as follows:

	<b>For The Year Ended September 30, 2016</b>			<b>Balance September 30 2016</b>
	<b>Balance September 30 2015</b>	<b>Increases</b>	<b>Decreases</b>	
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 12,693,465	90,593	-	12,784,058
Construction in progress	-	55,778	-	55,778
Total Capital Assets Not Being Depreciated	12,693,465	146,371	-	12,839,836
Capital assets being depreciated:				
Building and improvements	24,956,304	102,134	-	25,058,438
Machinery and equipment	11,379,138	1,152,701	539,172	11,992,667
Infrastructure	81,515,817	2,441,479	-	83,957,296
Total Capital Assets Being Depreciated	117,851,259	3,696,314	539,172	121,008,401
Less - Accumulated depreciation for:				
Building and improvements	13,028,943	762,705	-	13,791,648
Machinery and equipment	8,179,132	718,202	477,446	8,419,888
Infrastructure	32,822,656	1,661,090	-	34,483,746
Total Accumulated Depre- ciation	54,030,731	3,141,997	477,446	56,695,282
Total Capital Assets Being Depreciated, Net	63,820,528	554,317	61,726	64,313,119
 Total Capital Assets - Gov- ernmental Activities, Net	 \$ 76,513,993	 700,688	 61,726	 77,152,955

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

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - CAPITAL ASSETS (Continued)**

	<u>For The Year Ended September 30 2016</u>
<b>Governmental Activities</b>	
Administrative	\$ 141,785
Administrator	872
Finance	2,389
Animal shelter	5,517
Police	179,353
Fire	288,150
Building maintenance	8,331
Engineering	1,685
Community development	2,202
Public works	1,884,303
Parks and recreation	500,705
Airport	126,111
Cemetery	594
	<u>594</u>
Total	<u>\$ 3,141,997</u>

Capital asset activity for the business-type activities was as follows:

	<u>For The Year Ended September 30, 2016</u>			
	<u>Balance September 30 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30 2016</u>
<b>Business-type Activities - Sewer</b>				
Capital assets not being depreciated:				
Land	\$ 591,648	105,085	-	696,733
Construction in progress	3,081,735	-	-	3,081,735
Total Capital Assets Not Being Depreciated	<u>3,673,383</u>	<u>105,085</u>	<u>-</u>	<u>3,778,468</u>
Capital assets being depreciated:				
Buildings	1,863,017	-	-	1,863,017
Equipment	1,931,362	32,656	99,982	1,864,036
Sewer collection system	29,568,740	32,438	-	29,601,178
Total Capital Assets Being Depreciated	<u>33,363,119</u>	<u>65,094</u>	<u>99,982</u>	<u>33,328,231</u>
Less - Accumulated depreciation for:				
Buildings	990,806	128,421	-	1,119,227
Equipment	1,441,054	92,953	99,982	1,434,025
Sewer collection system	10,483,527	482,174	-	10,965,701
Total Accumulated Depreciation	<u>12,915,387</u>	<u>703,548</u>	<u>99,982</u>	<u>13,518,953</u>
Total Capital Assets, Business-type Activities - Sewer, Being Depreciated, Net	<u>20,447,732</u>	<u>(638,454)</u>	<u>-</u>	<u>19,809,278</u>
Total Capital Assets - Business-type Activities - Sewer, Net	<u>\$ 24,121,115</u>	<u>(533,369)</u>	<u>-</u>	<u>23,587,746</u>

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - CAPITAL ASSETS (Continued)**

	<b>For The Year Ended September 30, 2016</b>			
	<b>Balance September 30 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30 2016</b>
<b>Business-type Activities - Environmental Services</b>				
Capital assets not being depreciated:				
Land	\$ 670,663	-	-	670,663
Capital assets being depreciated:				
Buildings	2,905,990	6,080	-	2,912,070
Equipment	3,551,814	174,322	99,406	3,626,730
Total Capital Assets Being Depreciated	<u>6,457,804</u>	<u>180,402</u>	<u>99,406</u>	<u>6,538,800</u>
Less - Accumulated depreciation for:				
Buildings	859,006	103,845	-	962,851
Equipment	2,271,139	223,952	93,557	2,401,534
Total Accumulated Depreciation	<u>3,130,145</u>	<u>327,797</u>	<u>93,557</u>	<u>3,364,385</u>
Total Capital Assets, Business-type Activities Environmental Services, Being Depreciated, Net	<u>3,327,659</u>	<u>(147,395)</u>	<u>5,849</u>	<u>3,174,415</u>
Total Capital Assets - Business-type Activities - Environmental Services, Net	<u>\$ 3,998,322</u>	<u>(147,395)</u>	<u>5,849</u>	<u>3,845,078</u>
Grand Total Capital Assets - Business- type Activities, Net	<u>\$ 28,119,437</u>	<u>(680,764)</u>	<u>5,849</u>	<u>27,432,824</u>

**RMU**

	<b>For The Year Ended September 30, 2016</b>			
	<b>Balance September 30 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30 2016</b>
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land and easements	\$ 2,743,851	600	-	2,744,451
Capital assets being depreciated:				
Buildings and improvements	4,971,214	72,705	-	5,043,919
Office furniture, fixtures, and equipment	775,494	52,475	27,248	800,721
Transportation equipment	1,600,424	342,687	87,799	1,855,312
Distribution system	59,623,139	2,726,187	560,441	61,788,885
Production system	8,466,747	-	-	8,466,747
Total Capital Assets Being Depreciated	<u>75,437,018</u>	<u>3,194,054</u>	<u>675,488</u>	<u>77,955,584</u>
Less - Accumulated depreciation for:				
Buildings and improvements	3,455,957	144,874	-	3,600,831
Office furniture, fixtures, and equipment	712,413	28,594	20,896	720,111
Transportation equipment	924,556	150,123	87,799	986,880
Distribution system	29,230,687	2,199,120	429,214	31,000,593
Production system	5,862,291	412,770	-	6,275,061
Total Accumulated Depreciation	<u>40,185,904</u>	<u>2,935,481</u>	<u>537,909</u>	<u>42,583,476</u>
Total Capital Assets Being Depreciated, Net	<u>35,251,114</u>	<u>258,573</u>	<u>137,579</u>	<u>35,372,108</u>
Total Capital Assets - Business-type Activities, Net	<u>\$ 37,994,965</u>	<u>259,173</u>	<u>137,579</u>	<u>38,116,559</u>



**NOTE G - PENSION PLAN**

**Primary Government**

*Plan Description*

The City's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo 70.600-70.755. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS' Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplemental information. This report may be obtained by accessing the LAGERS' website at [www.molagers.org](http://www.molagers.org).

*Benefits Provided*

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

**2016 Valuation**

Benefit multiplier	1.75% for life, plus 0.25% to age 65
Final average salary	3 years
Member contributions	- %

Benefit terms provide for annual post-retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

*Employees Covered by Benefit Terms*

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	105
Inactive employees entitled to but not yet receiving benefits	63
Active employees	<u>179</u>
Total	<u>347</u>

**NOTE G - PENSION PLAN (Continued)**

*Contributions*

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the City do not contribute to the pension plan. The City contribution rates are 11.2% (General), 9.6% (Police), and 14.7% (Fire) of annual covered payroll.

*Net Pension Liability (Asset)*

The City's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 29, 2016.

*Actuarial Assumptions*

The total pension liability in the February 29, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.5% price inflation
Salary increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses

The healthy retiree mortality tables for post-retirement mortality were RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables for post-retirement mortality were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality tables for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The new assumptions used in the February 29, 2016 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE G - PENSION PLAN (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate Of Return</u>
Equity	43.00%	5.00%
Fixed income	26.00	3.00
Real assets	21.00	3.25
Strategic assets	10.00	5.60

***Discount Rate***

The discount rate used to measure the total pension liability (asset) is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension Liability (Asset)</u> <u>(a)-(b)</u>
<b>Balances at June 30, 2015</b>	\$ 32,962,456	37,542,476	(4,580,020)
<b>Changes for the year</b>			
Service cost	840,889	-	840,889
Interest	2,373,659	-	2,373,659
Difference between expected and actual experience	(563,660)	-	(563,660)
Changes of assumptions	1,209,382	-	1,209,382
Contributions - employer	-	852,947	(852,947)
Net investment income	-	(96,081)	96,081
Benefit payments, including refunds	(1,293,477)	(1,293,477)	-
Administrative expense	-	(27,173)	27,173
Other changes	-	96,067	(96,067)
Net Changes	<u>2,566,793</u>	<u>(467,717)</u>	<u>3,034,510</u>
<b>Balances at June 30, 2016</b>	<u>\$ 35,529,249</u>	<u>37,074,759</u>	<u>(1,545,510)</u>

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE G - PENSION PLAN (Continued)**

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.25%, as well as what the employer's net pension liability (asset) would be using a discount rate that is 1% point lower (6.25%) or 1% point higher (8.25%) than the current rate.

	<b>1% Decrease</b>	<b>Current Single Discount Rate Assumption</b>	<b>1% Increase</b>
Net pension liability (asset)	\$ 3,760,169	(1,545,510)	(5,890,852)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2016, the City recognized pension expense of \$1,414,235. Reported deferred outflows and inflows of resources are related to pensions from the following sources:

	<b>Outflows</b>	<b>Inflows</b>	<b>Net Outflows</b>
Differences in experience	\$ -	(763,697)	(763,697)
Assumption changes	999,181	-	999,181
Net difference between projected and actual earnings on pension plan investments	3,402,405	-	3,402,405
Contributions subsequent to the measurement date*	220,474	-	220,474
Total	\$ 4,622,060	(763,697)	3,858,363

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability (asset) for the next fiscal year.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**NOTE G - PENSION PLAN (Continued)**

**For The  
Years Ending  
September 30**

2017	\$ 977,174
2018	977,174
2019	977,177
2020	626,303
2021	36,999
Thereafter	<u>43,062</u>
Total	<u>\$ 3,637,889</u>

**Payable to the Pension Plan**

At September 30, 2016, the City reported a payable of \$12,132 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2016.

**RMU**

***Plan Description***

RMU's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. RMU participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo 70.600-70.755. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS' Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplemental information. This report may be obtained by accessing the LAGERS' website at [www.molagers.org](http://www.molagers.org).

***Benefits Provided***

LAGERS provides retirement, death, and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

**NOTE G - PENSION PLAN (Continued)**

	<b><u>2016</u></b> <b><u>Valuation</u></b>
Benefit multiplier	2% for life
Final average salary	3 years
Member contributions	- %

Benefit terms provide for annual post-retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

***Employees Covered by Benefit Terms***

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>50</u>
Total	<u>90</u>

***Contributions***

RMU is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. RMU contribution rates are 12.2% (General) of annual covered payroll.

***Net Pension Liability (Asset)***

RMU's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 29, 2016.

***Actuarial Assumptions***

The total pension liability in the February 29, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.5% price inflation
Salary increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses

**NOTE G - PENSION PLAN (Continued)**

The healthy retiree mortality tables for post-retirement mortality were RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables for post-retirement mortality were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality tables for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The new assumptions used in the February 29, 2016 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate Of Return</u>
Equity	43.00%	5.00%
Fixed income	26.00	3.00
Real assets	21.00	3.25
Strategic assets	10.00	5.60

***Discount Rate***

The discount rate used to measure the total pension liability (asset) is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE G - PENSION PLAN (Continued)**

**Changes in the Net Pension Liability (Asset)**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a)-(b)</b>
<b>Balances at June 30, 2015</b>	\$ 16,581,718	18,291,762	(1,710,044)
<b>Changes for the year</b>			
Service cost	279,195	-	279,195
Interest	1,186,863	-	1,186,863
Difference between expected and actual experience	(432,027)	-	(432,027)
Changes of assumptions	449,770	-	449,770
Contributions - employer	-	747,730	(747,730)
Net investment income	-	(19,957)	19,957
Benefit payments, including refunds	(709,110)	(709,110)	-
Administrative expense	-	(7,570)	7,570
Other changes	-	(332,935)	332,935
Net Changes	<u>774,691</u>	<u>(321,842)</u>	<u>1,096,533</u>
<b>Balances at June 30, 2016</b>	<u>\$ 17,356,409</u>	<u>17,969,920</u>	<u>(613,511)</u>

***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***

The following presents the net pension liability (asset) of the employer, calculated using the discount rate of 7.25%, as well as what the employer's net pension liability (asset) would be using a discount rate that is 1% point lower (6.25%) or 1% point higher (8.25%) than the current rate.

	<b>Discount Rate</b>		
	<b><u>1% Decrease</u></b>	<b><u>Assumption</u></b>	<b><u>1% Increase</u></b>
Net pension liability (asset)	<u>\$ 1,897,016</u>	<u>(613,511)</u>	<u>(2,671,213)</u>

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2016, RMU recognized pension expense of \$930,046. RMU reported deferred outflows and inflows of resources are related to pensions from the following sources:



**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE G - PENSION PLAN (Continued)**

	<u>Outflows</u>	<u>Inflows</u>	<u>Net Outflows</u>
Differences in experience	\$ -	(427,944)	(427,944)
Assumption changes	368,093	-	368,093
Net difference between projected and actual earnings on pension plan investments	1,640,312	-	1,640,312
Contributions subsequent to the measurement date*	<u>75,603</u>	<u>-</u>	<u>75,603</u>
Total	<u>\$ 2,084,008</u>	<u>(427,944)</u>	<u>1,656,064</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability (asset) for the next fiscal year.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**For The  
Years Ending  
September 30**

2017	\$ 438,884
2018	438,884
2019	438,885
2020	262,175
2021	<u>1,633</u>
Total	<u>\$ 1,580,461</u>

**Payable to the Pension Plan**

At September 30, 2016, RMU reported a payable of \$25,766 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2016.

**NOTE H - 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:

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE H - ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN (Continued)**

	<b>September 30 2015</b>
Assessed valuation:	
Real estate	\$ 210,784,660
Personal property	37,553,053
Total Assessed Valuation	\$ 248,337,713
	<b>September 30 2015</b>
Tax rate per \$100 assessed valuation:	
General levy	\$ 0.4539
Library levy	0.1894
Park levy	0.1118
Total Tax Rate Per \$100 Assessed Valuations	\$ 0.7551

The legal debt margin at September 30, 2016, was computed as follows:

	<b>General Obligation Bonds</b>		
	<b>Ordinary(1)</b>	<b>Additional (2)</b>	<b>Total</b>
Constitutional debt limit	\$ 24,833,771	24,833,771	49,667,542
General obligation bonds payable	(1,800,000)	-	(1,800,000)
Legal Debt Margin	\$ 23,033,771	24,833,771	47,867,542

- (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 10% 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 10% 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 20% of the value of the taxable tangible property in the City.

**NOTE I - RISK MANAGEMENT**

The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), a statewide governmental self-insurance pool which provides property, liability, and workers' compensation coverages to its participating members in a single comprehensive multiline package. The various lines of coverage are not available individually and the membership is limited to municipalities and municipally owned utilities. The City's policy covers all real and personal property owned by the City except sewer lines. The policy is for replacement cost and expires June 30, 2017.

MIRMA is funded by annual member assessments calculated at a rate per \$100 of annual payroll which applies to all lines of coverage on a composite basis. These funds are used to pay losses within specific risk retention limits shared equally by all members; purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers; purchase services such as claims administration, loss prevention, and data processing; and pay administrative expenses. Should actual insurance losses exceed MIRMA's estimates, the City could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall operations of the City. The City paid an assessment totaling \$732,951 for MIRMA's fiscal year ended June 30, 2016. Settled claims resulting in these risks have not exceeded coverage in any of the past three years.

**NOTE J - 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, an Internal Service Fund. At September 30, 2016, 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 \$188,167. Changes in estimated benefit obligation during the past two years are as follows:

Estimated benefit obligation, October 1, 2014	\$ 139,309
Claims incurred	2,382,418
Claims paid	(2,283,657)
Estimated benefit obligation, October 1, 2015	238,070
Claims incurred	2,577,359
Claims paid	(2,627,262)
Estimated Benefit Obligation, September 30, 2016	\$ 188,167

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE K - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The individual interfund balances are as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>September 30 2016</b>
General Fund	Airport Fund	\$ 468,842
General Fund	Parks Fund	41,980
Total		\$ 510,822

The outstanding balances between funds result mainly from the time lag between dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in accounting system, and 3) payments between funds are made. The Parks interfund balance is expected to be repaid during the fiscal year ending September 30, 2017. The Airport interfund balance will be repaid as additional revenues allow.

Individual interfund transfers are as follows:

<b>Transfers In</b>	<b>Transfers Out</b>	<b>September 30 2016</b>
General Fund	Sewer Fund	\$ 224,700
General Fund	Environmental Services Fund	143,800
General Fund	Parks Fund	49,275
General Fund	Street Fund	492,500
General Fund	Recreation Fund	63,900
Airport Fund	General Fund	250,000
Parks Fund	Cemetery Fund	1,440
Total		\$ 1,225,615

Interfund transfers were used to: 1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance other funds in accordance with budgetary authorization, or 3) move revenues in excess of current year expenditures to other funds.

**NOTE L - RESTRICTED NET POSITION**

The government-wide statement of net position reports \$1,487,372 of restricted net position, of which \$775,440 is restricted by enabling legislation.

**NOTE M - POST-EMPLOYMENT HEALTH CARE PLAN**

**Primary Government**

**1. Plan Description**

The City's post-employment 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.

**2. 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.

**3. Annual OPEB Cost and Net OPEB Obligation**

The City's annual other post-employment 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 Statement No. 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, the amount actually contributed to the Plan and changes in the City's OPEB obligation:

	<b>For The Year Ended September 30 2016</b>
	<b>2016</b>
ARC	\$ 405,800
Adjustment to ARC	(40,400)
Interest on net OPEB obligation	39,800
Annual OPEB Cost	405,200
Contributions made	(210,700)
Increase In Net OPEB Obligation	194,500
Net OPEB obligation - beginning of year	1,061,520
Net OPEB Obligation - End Of Year	\$ 1,256,020

Schedule of employer contributions:

**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE M - POST-EMPLOYMENT HEALTH CARE PLAN (Continued)**

**3. Annual OPEB Cost and Net OPEB Obligation (Continued)**

<b>Schedule Of Employer Contributions</b>						
<b>For The Years Ended September 30</b>	<b>Contribution Made</b>	<b>Amount</b>	<b>Percent Contributed</b>	<b>Amount</b>	<b>Percent Contributed</b>	<b>Net OPEB Obligation</b>
2016	\$ 210,700	\$ 405,200	52.0 %	\$ 405,800	51.9 %	\$ 1,256,020
2015	196,300	406,200	48.3	405,800	48.4	1,061,520
2014	150,600	379,400	39.7	379,700	39.7	851,620
2013	427,380	380,000	112.5	379,700	112.6	622,820

**4. Funding Status and Funding Progress**

As a pay-as-you-go plan, the plan was 0% funded at September 30, 2016.

<b>September 30</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>UAAL (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL As A Percentage Of Covered Payroll ((b-a)/c)</b>
2015	\$ -	\$ 4,048,800	\$ 4,048,800	- %	\$ 8,500,000	47.63 %
2013	-	3,696,200	3,696,200	-	7,100,000	52.06

**5. 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 2015 actuarial valuation, the projected unit credit cost method was used, and the interest rate used for discounting liabilities was 3.75%. 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 6.2% for 2015, with annual rate reductions to an ultimate rate of 4.5% in 2085. The UAAL is amortized over the maximum acceptable period of 30 years, and the valuation assumed that 50% of all future retirees will elect medical coverage.

**NOTE N - RELATED PARTY TRANSACTIONS**

**Primary Government**

RMU provides water and electric services to the City. It also provides billing and collection services to the City for PILOT and sewer and sanitation services. The City paid RMU a total of \$177,349 in fiscal year 2016 for billing services and \$717,554 for water and electric services. The City contributed \$524,387 to RMU for capital expenses in fiscal year 2016.

**NOTE O - 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. 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 P - PLEDGED REVENUES**

The City has pledged future water and sewer customer revenues were used 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 \$4,278,632. Principal and interest paid for the current year and total customer net revenues were \$699,632 and \$1,401,307, respectively.

**NOTE Q - TAX INCREMENT FINANCING DISTRICTS**

The City committed to the redevelopment of the I-44/US 63 Redevelopment Project Area 1 (RPA1) to reimburse Kohl's Department Stores, Inc. (the Developer) for the Verified Reimbursable Redevelopment Project Costs through Reimbursement Payments made from the Special Allocation Fund. There is no debt on the City's part, however, the aggregate amount of Reimbursement Payments paid during the terms of the agreement, to the extent that taxes are collected within this District, shall not exceed the sum of \$3,168,488 plus interest costs.

The City shall not be obligated for any amounts that exceed the balance in the Special Allocation Fund, which includes a TIF-EATS and a TIF-PILOTS account.

The TIF-EATS account will contain 50% of all Economic Activity Taxes from RPA1. The TIF-PILOTS account will contain all Payments in Lieu of Taxes from RPA1. At September 30, 2016, the balances in the TIF-EATS and TIF-PILOTS accounts are \$37,861 and \$15, respectively.

## **NOTE R - COMMITMENTS**

### **Primary Government**

At September 30, 2016, the City was committed to the following:

#### **Landfill Closing Obligation**

In January 1995, the City, along with the five other 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” authorized DNR to collect \$152,703 from any funds due the members from the Missouri Department of Revenue and the State Treasurer to compensate the State for corrective procedures.

### **RMU**

#### **Pooled Energy**

The City is a member of the Missouri Joint Municipal Electric Utility Commission (MJMEUC). 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 requirement of the City and includes procedures for the City to dedicate its capacity to MoPEP.

MoPEP operations are governed by a committee (Pool Committee) consisting of one representative from each MoPEP member and is currently comprised of 35 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 of 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. The 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.



**CITY OF ROLLA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE R - COMMITMENTS (Continued)**

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: 1) power purchased under long-term firm energy contracts, unit-contingent energy contracts, and interruptible contracts; 2) MJMEUC owned generation; 3) member capacity; and 4) 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 a 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 recourse obligation 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, 2016 was \$19,742,998.

**NOTE S - DEFICIT FUND BALANCE**

The Airport Fund has a deficit fund balance at September 30, 2016 of (\$430,299). This deficit will be financed through future revenues of the fund.

**NOTE T - RESTATEMENT OF NET POSITION/FUND BALANCE**

The previously stated net position/fund balance has been adjusted as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Airport Fund</u></b>
Net position/fund balance, September 30, 2015, as previously reported	\$ 80,039,398	(26,287)
Restatement for:		
Receivables	<u>(349,134)</u>	<u>(349,134)</u>
Net Position/Fund Balance, September 30, 2015, As Restated	<u>\$ 79,690,264</u>	<u>(375,421)</u>

**NOTE U - FUTURE ACCOUNTING PRONOUNCEMENT**

The Governmental Accounting Standards Board (GASB) has issued statements not yet implemented by the City. The Statements which might impact the City are as follows:

- *GASB Statement No. 77, Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:
  - Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients,
  - The gross dollar amount of taxes abated during the period, and
  - Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

This Statement is effective for financial statements for periods beginning after December 15, 2015.

Management has not yet determined the effect, if any, this Statement will have in the City's future financial statements.

**NOTE V - SUBSEQUENT EVENT**

Management has evaluated subsequent events through June 28, 2017, the date which the financial statements were available for issue.

**REQUIRED SUPPLEMENTAL INFORMATION SECTION**

**CITY OF ROLLA, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Original And Final Budgeted Amounts</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
Taxes:			
Property	\$ 965,750	1,009,149	43,399
Sales	4,160,000	4,151,143	(8,857)
Franchise	683,000	592,398	(90,602)
Motor vehicle	156,000	166,311	10,311
PILOT	1,553,600	1,513,415	(40,185)
Lodging	322,000	357,053	35,053
Cigarette	105,000	108,434	3,434
Total Taxes	<u>7,945,350</u>	<u>7,897,903</u>	<u>(47,447)</u>
Licenses and permits:			
Occupational licenses	47,000	54,981	7,981
Building permits	80,000	100,214	20,214
Other	39,500	49,048	9,548
Total Licenses And Permits	<u>166,500</u>	<u>204,243</u>	<u>37,743</u>
Intergovernmental:			
Landfill	10,500	9,607	(893)
RREC	130,000	153,046	23,046
PCESB	1,120,500	969,177	(151,323)
Library	237,500	244,463	6,963
Grants	55,000	46,410	(8,590)
Other	165,900	529,783	363,883
Total Intergovernmental	<u>1,719,400</u>	<u>1,952,486</u>	<u>233,086</u>
Charges for services	<u>54,450</u>	<u>53,651</u>	<u>(799)</u>
Fine and forfeitures:			
City court fines	190,000	205,196	15,196
Police training fees	9,000	5,900	(3,100)
Total Fines And Forfeitures	<u>199,000</u>	<u>211,096</u>	<u>12,096</u>
Investment income	<u>7,000</u>	<u>9,420</u>	<u>2,420</u>
Miscellaneous:			
Lease and rent income	7,800	8,305	505
Animal shelter	67,500	19,404	(48,096)
Other	175,800	36,643	(139,157)
Total Miscellaneous	<u>251,100</u>	<u>64,352</u>	<u>(186,748)</u>
Total Revenues	<u>10,342,800</u>	<u>10,393,151</u>	<u>50,351</u>

(Continued)

**CITY OF ROLLA, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016 (Continued)**

	<b>Original And Final Budgeted Amounts</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>EXPENDITURES</b>			
Administrative	586,926	606,924	19,998
Administrator	299,650	302,062	2,412
Finance	541,740	540,563	(1,177)
Legal services	63,700	59,631	(4,069)
City court	84,120	86,694	2,574
911 telecommunications	1,109,480	1,046,233	(63,247)
Animal shelter	137,505	133,627	(3,878)
Police	3,477,970	3,552,517	74,547
Fire	2,929,170	2,786,250	(142,920)
Building maintenance	94,310	84,974	(9,336)
Engineering	704,537	723,301	18,764
Community development	365,900	342,439	(23,461)
Library	227,575	187,512	(40,063)
Economic development	262,440	302,880	40,440
Total Expenditures	10,885,023	10,755,607	(129,416)
<b>REVENUES UNDER EXPENDITURES</b>	(542,223)	(362,456)	179,767
<b>OTHER FINANCING SOURCES (USES)</b>			
Certificates of participation issued	175,000	-	(175,000)
Transfers in	974,175	974,175	-
Transfers out	(250,000)	(250,000)	-
Total Other Financing Sources (Uses)	899,175	724,175	(175,000)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 356,952</b>	<b>361,719</b>	<b>4,767</b>
<b>FUND BALANCE, OCTOBER 1</b>		<b>2,966,720</b>	
<b>FUND BALANCE, SEPTEMBER 30</b>		<b>\$ 3,328,439</b>	

**CITY OF ROLLA, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - STREET FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Original And Final Budgeted Amounts</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
Taxes	\$ 4,765,500	4,756,440	(9,060)
Intergovernmental	530,500	301,820	(228,680)
Charges for services	118,000	247,769	129,769
Investment income	10,000	14,336	4,336
Miscellaneous	5,000	102,660	97,660
Total Revenues	5,429,000	5,423,025	(5,975)
<b>EXPENDITURES</b>			
Street	7,210,190	6,727,715	(482,475)
<b>REVENUES UNDER EXPENDITURES</b>	(1,781,190)	(1,304,690)	476,500
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital lease	460,000	460,000	-
Sale of capital assets	125,000	125,849	849
Transfers out	(492,500)	(492,500)	-
Total Other Financing Sources (Uses)	92,500	93,349	849
<b>NET CHANGE IN FUND BALANCE</b>	\$ (1,688,690)	(1,211,341)	477,349
<b>FUND BALANCE, OCTOBER 1</b>		3,623,917	
<b>FUND BALANCE, SEPTEMBER 30</b>		\$ 2,412,576	

**CITY OF ROLLA, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - RECREATION CENTER FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Original And Final Budgeted Amounts</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
Taxes	\$ -	4,712	4,712
Charges for services	1,105,850	1,134,768	28,918
Investment income	18,000	18,746	746
Miscellaneous	15,000	23,156	8,156
Total Revenues	1,138,850	1,181,382	42,532
<b>EXPENDITURES</b>			
Guest services	220,800	190,446	(30,354)
Recreation	147,500	163,858	16,358
Aquatic	210,520	237,208	26,688
Fitness	138,000	213,798	75,798
Administration	430,885	412,326	(18,559)
Maintenance	267,650	284,654	17,004
Total Expenditures	1,415,355	1,502,290	86,935
<b>REVENUES UNDER EXPENDITURES</b>	(276,505)	(320,908)	(44,403)
<b>OTHER FINANCING USES</b>			
Transfers out	(63,900)	(63,900)	-
<b>NET CHANGE IN FUND BALANCE</b>	\$ (340,405)	(384,808)	(44,403)
FUND BALANCE, OCTOBER 1		3,258,609	
<b>FUND BALANCE, SEPTEMBER 30</b>		\$ 2,873,801	

**CITY OF ROLLA, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - PARKS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Original And Final Budgeted Amounts</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
Taxes	\$ 1,289,000	1,268,678	(20,322)
Charges for services	199,500	209,948	10,448
Investment income	500	2,986	2,486
Miscellaneous	9,500	18,566	9,066
Total Revenues	1,498,500	1,500,178	1,678
<b>EXPENDITURES</b>			
Administration	459,750	452,486	(7,264)
Maintenance	68,950	62,514	(6,436)
Parks department	572,950	568,918	(4,032)
Splash Zone	180,275	162,944	(17,331)
Outdoor recreation	136,925	140,845	3,920
Total Expenditures	1,418,850	1,387,707	(31,143)
<b>REVENUES OVER EXPENDITURES</b>	79,650	112,471	32,821
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,500	1,440	(60)
Transfers out	(49,275)	(49,275)	-
Total Other Financing Sources (Uses)	(47,775)	(47,835)	(60)
<b>NET CHANGE IN FUND BALANCE</b>	\$ 31,875	64,636	32,761
FUND BALANCE, OCTOBER 1		52,144	
<b>FUND BALANCE, SEPTEMBER 30</b>		\$ 116,780	



**CITY OF ROLLA, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - AIRPORT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

---

	<b>Original And Final Budgeted Amounts</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
Intergovernmental	\$ 618,000	4,545	(613,455)
Charges for services	267,700	260,035	(7,665)
Investment income	5	16	11
Miscellaneous	500	2,005	1,505
Total Revenues	886,205	266,601	(619,604)
<b>EXPENDITURES</b>			
Airport	1,134,065	571,479	(562,586)
<b>REVENUES UNDER EXPENDITURES</b>	(247,860)	(304,878)	(57,018)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	250,000	250,000	-
<b>NET CHANGE IN FUND BALANCE</b>	\$ 2,140	(54,878)	(57,018)
FUND BALANCE, OCTOBER 1		(375,421)	
<b>FUND BALANCE, SEPTEMBER 30</b>		<b>\$ (430,299)</b>	

**CITY OF ROLLA, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CEMETERY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Original And Final Budgeted Amounts</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
Charges for services	\$ 14,000	20,035	6,035
Investment income	1,500	1,581	81
Total Revenues	15,500	21,616	6,116
<b>EXPENDITURES</b>			
	-	-	-
<b>REVENUES OVER EXPENDITURES</b>			
	15,500	21,616	6,116
<b>OTHER FINANCING USES</b>			
Transfers out	(1,500)	(1,440)	(60)
<b>NET CHANGE IN FUND BALANCE</b>			
	\$ 14,000	20,176	6,176
FUND BALANCE, OCTOBER 1		315,820	
FUND BALANCE, SEPTEMBER 30		\$ 335,996	

**CITY OF ROLLA, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - PARK LAND RESERVE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

---

	<u>Original And Final Budgeted Amounts</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Investment income	\$ 85	97	12
Miscellaneous	2,000	2,328	328
Total Revenues	<u>2,085</u>	<u>2,425</u>	<u>340</u>
<b>EXPENDITURES</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 2,085</u>	2,425	<u>340</u>
FUND BALANCE, OCTOBER 1		<u>71,675</u>	
<b>FUND BALANCE, SEPTEMBER 30</b>		<u>\$ 74,100</u>	

**CITY OF ROLLA, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

---

**Budgetary Data**

The City follows the procedures outlined below in establishing the budgetary data reflected in the financial statements:

- a. 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.
- b. 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.
- c. Prior to October 1, ordinances are passed by Council, which provide for legally adopted budgets for all funds of the City.
- d. 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.
- e. Formal budgetary integration is employed as a management control device for all funds of the City.
- f. 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.

**CITY OF ROLLA, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF CHANGES**  
**IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**  
**FOR THE YEARS ENDED SEPTEMBER 30**

	<b>2016</b>	<b>2015</b>
<b>Total Pension Liability</b>		
Service cost	\$ 840,889	846,914
Interest on the total pension liability	2,373,659	2,269,899
Difference between expected and actual experience	(563,660)	(460,292)
Changes of assumptions	1,209,382	-
Benefit payments, including refunds	(1,293,477)	(1,153,761)
Net Change In Total Pension Liability	2,566,793	1,502,760
Total Pension Liability Beginning	32,962,456	31,459,696
Total Pension Liability Ending (a)	\$ 35,529,249	32,962,456
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 852,947	964,218
Net investment income	(96,081)	731,693
Benefit payments, including refunds	(1,293,477)	(1,153,761)
Administrative expense	(27,173)	(28,893)
Other changes	96,067	380,572
Net Change In Plan Fiduciary Net Pension	(467,717)	893,829
Plan Fiduciary Net Position Beginning	37,542,476	36,648,647
Plan Fiduciary Net Position Ending (b)	\$ 37,074,759	37,542,476
<b>Net Pension Liability (Asset) Ending (a)-(b)</b>	<b>\$ (1,545,510)</b>	<b>(4,580,020)</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	104.35 %	113.89
Covered Employee Payroll (for February 28/29 Valuation)	\$ 7,072,467	7,079,117
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	(21.85) %	(64.70)

Notes:

Information is not available for fiscal years prior to 2015.

The amounts noted above are as of the measurement date which is June 30 prior to the end of the fiscal year.

**CITY OF ROLLA, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF PENSION CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS**

	For The Years Ended September 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined pension contribution	\$ 863,721	949,662	1,024,360	1,061,934	1,089,976	1,147,989	670,146	691,860	746,192	747,733
Contributions in relation to the actuarially determined contribution	<u>863,721</u>	<u>949,662</u>	<u>999,354</u>	<u>1,011,713</u>	<u>970,870</u>	<u>937,288</u>	<u>828,507</u>	<u>811,575</u>	<u>746,161</u>	<u>747,733</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>25,006</u>	<u>50,221</u>	<u>119,106</u>	<u>210,701</u>	<u>(158,361)</u>	<u>(119,715)</u>	<u>31</u>	<u>-</u>
Covered Employee Payroll	\$ 7,554,556	7,087,603	7,199,254	7,214,862	7,304,173	7,569,220	7,297,628	7,346,226	6,623,890	6,569,669
Contributions as a Percentage of Covered Employee Payroll	11.43 %	13.40	13.88	14.02	13.29	12.38	11.35	11.05	11.26	11.38

Notes to schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of February 28/29 prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal and modified terminal funding
Amortization method	Level percent of payroll, closed
Remaining amortization period	Multiple bases from 13 to 22 years
Asset valuation method	5 years smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.5% price inflation
Salary increases	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The healthy retiree mortality tables for post-retirement mortality were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables for post-retirement mortality were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality tables for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other information:

New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015.  
There were no benefit changes during the year.

**CITY OF ROLLA, MISSOURI - ROLLA MUNICIPAL UTILITIES**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF CHANGES**  
**IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**  
**FOR THE YEARS ENDED SEPTEMBER 30**

	<b>2016</b>	<b>2015</b>
<b>Total Pension Liability</b>		
Service cost	\$ 279,195	277,593
Interest on the total pension liability	1,186,863	1,147,696
Difference between expected and actual experience	(432,027)	(118,542)
Changes of assumptions	449,770	-
Benefit payments, including refunds	(709,110)	(823,502)
Net Change In Total Pension Liability	774,691	483,245
Total Pension Liability Beginning	16,581,718	16,098,473
Total Pension Liability Ending (a)	\$ 17,356,409	16,581,718
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 747,730	775,627
Net investment income	(19,957)	361,988
Benefit payments, including refunds	(709,110)	(823,502)
Administrative expense	(7,570)	(8,575)
Other changes	(332,935)	(362,570)
Net Change In Plan Fiduciary Net Pension	(321,842)	(57,032)
Plan Fiduciary Net Position Beginning	18,291,762	18,348,794
Plan Fiduciary Net Position Ending (b)	\$ 17,969,920	18,291,762
<b>Net Pension Liability (Asset) (a)-(b)</b>	\$ (613,511)	(1,710,044)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	103.53 %	110.31
Covered Employee Payroll	\$ 2,355,439	2,326,138
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	(26.05) %	(73.51)

Notes:

Information is not available for fiscal years prior to 2015.

The amounts noted above are as of the measurement date which is June 30 prior to the end of the fiscal year.

**CITY OF ROLLA, MISSOURI - ROLLA MUNICIPAL UTILITIES**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF PENSION CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS**

	For The Years Ended September 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined pension contribution	\$ 294,725	372,878	407,774	448,912	512,861	446,909	173,171	230,215	218,730	248,038
Contributions in relation to the actuarially determined contribution	294,725	372,878	379,490	354,899	339,500	303,342	261,921	278,638	214,312	233,448
Contribution Deficiency (Excess)	\$ -	-	28,284	94,013	173,361	143,567	(88,750)	(48,423)	4,418	14,590
Covered Employee Payroll	\$ 2,415,780	2,390,242	2,357,078	2,350,327	2,407,799	2,315,590	2,164,643	2,131,617	2,209,396	2,084,354
Contributions as a Percentage of Covered Employee Payroll	12.20 %	15.60	16.10	15.10	14.10	13.10	12.10	13.07	9.70	11.20

Notes to schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of February 28/29 prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal and modified terminal funding
Amortization method	Level percent of payroll, closed
Remaining amortization period	Multiple bases from 13 to 22 years
Asset valuation method	5 years smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.5% price inflation
Salary increases	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The healthy retiree mortality tables for post-retirement mortality were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables for post-retirement mortality were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality tables for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other information:

New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015. There were no benefit changes during the year.