



MISSOURI

FINANCIAL REPORT
(Audited)

Year Ended September 30, 2017

CITY OF ROLLA, MISSOURI
FINANCIAL REPORT

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

INDEPENDENT AUDITOR'S REPORT

October 25, 2018

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, 2017, 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.

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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, 2017, 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.

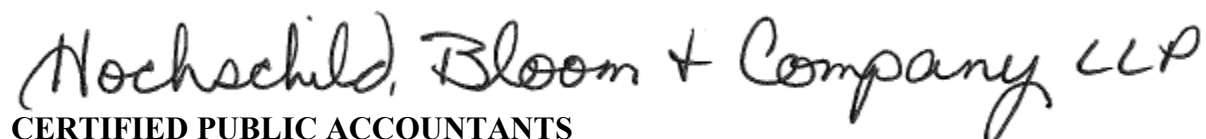
Other Matters

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 October 25, 2018 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, 2017**

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, 2017. 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 increased by \$904,055 for the year as a result of current year activities. The net position of the City's business-type activities increased \$19,211 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, 2017, by \$105 million (net position) (up from \$104 million in fiscal year 2016). Of this amount, \$14 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 2017 was \$67,445,377 compared to \$28,024,947 in fiscal year 2016. Overall 125 new housing units were added in 2017. 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 2.0% 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 2017 the City received \$9,128,521 in sales tax revenues - a 2.1% decrease from fiscal year 2016. Since sales tax revenues account for approximately 41.8% 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 2017 completes the 15th 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 87%. Revenues of \$1.2 million are generated through memberships, user fees, and program revenues with operating expenditures of \$1,360,000. In fiscal year 2017 recreation center revenues increased by 2.5% while operating expenditures decreased 0.4% over fiscal year 2016.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$8,578,365.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,403,558.

**CITY OF ROLLA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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, 2017**

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, 2017

Governmental and business-type activities. Governmental and business-type activities increased the City's net position by \$923,266. Key elements of this are as follows:

	September 30					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	\$ 12,536,645	11,722,227	6,262,062	6,067,114	18,798,707	17,789,341
Capital assets	78,390,973	77,152,955	27,055,595	27,432,824	105,446,568	104,585,779
Total Assets	<u>90,927,618</u>	<u>88,875,182</u>	<u>33,317,657</u>	<u>33,499,938</u>	<u>124,245,275</u>	<u>122,375,120</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>1,932,775</u>	<u>3,743,068</u>	<u>407,416</u>	<u>908,046</u>	<u>2,340,191</u>	<u>4,651,114</u>
LIABILITIES						
Other liabilities	1,271,337	1,344,888	483,648	400,874	1,754,985	1,745,762
Long-term liabilities	10,709,335	11,365,578	8,346,734	9,089,826	19,056,069	20,455,404
Total Liabilities	<u>11,980,672</u>	<u>12,710,466</u>	<u>8,830,382</u>	<u>9,490,700</u>	<u>20,811,054</u>	<u>22,201,166</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>491,077</u>	<u>608,255</u>	<u>113,638</u>	<u>155,442</u>	<u>604,715</u>	<u>763,697</u>
NET POSITION						
Net investment in capital assets	70,299,103	68,031,847	19,670,192	20,127,355	89,969,295	88,159,202
Restricted	563,004	775,440	665,545	711,932	1,228,549	1,487,372
Unrestricted	<u>9,526,537</u>	<u>10,492,242</u>	<u>4,445,316</u>	<u>3,922,555</u>	<u>13,971,853</u>	<u>14,414,797</u>
Total Net Position	<u>\$ 80,388,644</u>	<u>79,299,529</u>	<u>24,781,053</u>	<u>24,761,842</u>	<u>105,169,697</u>	<u>104,061,371</u>

CITY OF ROLLA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	For The Years Ended September 30					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues:						
Charges for services	\$ 7,553,082	3,759,067	6,738,953	6,542,518	14,292,035	10,301,585
Operating grants and contributions	227,122	536,535	9,718	16,935	236,840	553,470
Capital grants and contributions	870,129	492,245	42,479	125,824	912,608	618,069
General revenues:						
Property taxes	1,165,081	1,257,043	-	-	1,165,081	1,257,043
Sales taxes	9,129,056	9,327,969	-	-	9,129,056	9,327,969
Motor vehicle taxes	788,865	771,610	-	-	788,865	771,610
Payment in lieu of taxes	1,460,472	1,513,415	-	-	1,460,472	1,513,415
Other taxes	478,473	465,951	-	-	478,473	465,951
Franchise fees	638,906	592,398	-	-	638,906	592,398
Investment income	36,238	47,182	153,831	168,244	190,069	215,426
Other	140,576	229,209	103,293	79,117	243,869	308,326
Total Revenue	<u>22,488,000</u>	<u>18,992,624</u>	<u>7,048,274</u>	<u>6,932,638</u>	<u>29,536,274</u>	<u>25,925,262</u>
EXPENSES						
General government and other	4,970,131	4,659,021	-	-	4,970,131	4,659,021
Public safety	6,944,316	6,514,740	-	-	6,944,316	6,514,740
Public works and maintenance	6,184,090	4,887,963	-	-	6,184,090	4,887,963
Parks and recreation	3,081,184	3,093,377	-	-	3,081,184	3,093,377
Airport	826,124	596,758	-	-	826,124	596,758
Sewer	-	-	3,289,967	2,740,803	3,289,967	2,740,803
Environmental services	-	-	3,317,196	3,124,848	3,317,196	3,124,848
Total Expenses	<u>22,005,845</u>	<u>19,751,859</u>	<u>6,607,163</u>	<u>5,865,651</u>	<u>28,613,008</u>	<u>25,617,510</u>
EXCESS BEFORE TRANSFERS	482,155	(759,235)	441,111	1,066,987	923,266	307,752
TRANSFERS	<u>421,900</u>	<u>368,500</u>	<u>(421,900)</u>	<u>(368,500)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>904,055</u>	<u>(390,735)</u>	<u>19,211</u>	<u>698,487</u>	<u>923,266</u>	<u>307,752</u>
NET POSITION, OCTOBER 1	79,299,529	79,690,264	24,761,842	24,063,355	104,061,371	103,753,619
RESTATEMENT	<u>185,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,060</u>	<u>-</u>
NET POSITION, AS RESTATED	<u>79,484,589</u>	<u>79,690,264</u>	<u>24,761,842</u>	<u>24,063,355</u>	<u>104,246,431</u>	<u>103,753,619</u>
NET POSITION, SEPTEMBER 30	<u>\$80,388,644</u>	<u>79,299,529</u>	<u>24,781,053</u>	<u>24,761,842</u>	<u>105,169,697</u>	<u>104,061,371</u>

Change in net position. The increase in net position of \$904,055 in the governmental activities was mainly due to the increase in charges for services. The increase in net position of \$19,211 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, 2017**

GOVERNMENTAL ACTIVITIES

Governmental activities increased the net position of the City by \$904,055. Total tax revenues for the City were \$13.0 million, which represents 56% of the financing of these activities. Program revenues for the functions totaled \$8.7 million or 38% of the funding. The following table shows the cost of the City's programs as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

	Net Cost Of Governmental Activities			
	Total Cost Of Service		Net Cost Of Service	
	2017	2016	2017	2016
General government and other	\$ 4,970,131	4,659,021	2,675,704	2,920,458
Public safety	6,944,316	6,514,740	6,453,219	5,754,178
Public works and maintenance	6,184,090	4,887,963	2,681,368	4,194,359
Parks and recreation	3,081,184	3,093,377	1,666,507	1,758,294
Airport	826,124	596,758	(121,286)	336,723
Total	\$ 22,005,845	19,751,859	13,355,512	14,964,012

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net position by \$19,211. Last year the business-type activities increased \$698,487.

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, 2017 the General Fund's fund balance was \$3,296,374.

The City's General Fund's fund balance increased by \$8,844 or 0.3% from the prior year fund balance. This was mainly due to an increase in other financing sources of revenue.

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

- The Street Fund decreased by \$148,974 from the fund balance at the end of the prior year. This decrease is due to higher capital outlay expenditures in 2017.

**CITY OF ROLLA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

- The Recreation Center Fund decreased by \$330,211 from the fund balance at the end of the prior year. This decrease is due to capital outlay purchases, General Fund transfer, and operating deficit, in 2017.
- The Parks Fund increased by \$126,811 from the fund balance at the end of the prior year. This increase is due to revenues in excess of expenditures in fiscal year 2017 primarily due to payoff of Park Fund's portion of the Certificates of Participation in fiscal year 2016.
- The Airport Fund decreased by \$69,705 from the fund balance at the end of the prior year. This decrease is due to expenditures exceeding grant reimbursements and revenue from capital activity.
- The Cemetery Fund increased by \$8,654 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 \$19,996 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 \$2,440,229. The total decrease in net position was \$100,968 or 0.5% from the prior year fund balance. Unrestricted net position at the end of the year for the Environmental Services Fund totaled \$2,005,087. The total increase in net position was \$120,179 or 2.2% from the prior year fund balance.

CAPITAL ASSETS

The City has invested \$105,446,568 at September 30, 2017 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 increase for the current fiscal year (including additions and deductions) of \$860,789. 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, 2017

	For The Years Ended September 30					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 12,824,329	12,784,058	1,386,999	1,367,396	14,211,328	14,151,454
Construction in progress	-	55,778	3,081,735	3,081,735	3,081,735	3,137,513
Buildings and improvements	11,139,550	11,266,790	2,460,890	2,693,008	13,600,440	13,959,798
Machinery and equipment	3,675,601	3,572,779	1,947,408	1,655,207	5,623,009	5,227,986
Infrastructure	50,751,493	49,473,550	-	-	50,751,493	49,473,550
Sewer collection system	-	-	18,178,563	18,635,478	18,178,563	18,635,478
Total Capital Assets, Net Of Accumu- lated Depreciation	<u>\$ 78,390,973</u>	<u>77,152,955</u>	<u>27,055,595</u>	<u>27,432,824</u>	<u>105,446,568</u>	<u>104,585,779</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, 2017 of \$15,411,315 compared to \$16,904,584 for September 30, 2016. The decrease of debt outstanding of \$1,456,731 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	
	2017	2016	2017	2016	2017	2016
Capital leases payable	\$ 2,723,880	3,074,584	302,435	-	3,026,315	3,074,584
Certificates of participation	4,124,670	4,211,341	4,090,330	4,338,659	8,215,000	8,550,000
General obligation bonds	1,220,000	1,800,000	-	-	1,220,000	1,800,000
Revenue bonds payable	-	-	2,950,000	3,480,000	2,950,000	3,480,000
Total	<u>\$ 8,068,550</u>	<u>9,085,925</u>	<u>7,342,765</u>	<u>7,818,659</u>	<u>15,411,315</u>	<u>16,904,584</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 \$10,223,408 were \$491,774 under the budgeted revenues of \$10,715,182. This was mainly due to sales tax and property tax revenues coming in under budget. The City's General Fund expenditures of \$11,238,794 were \$4,347 under the budgeted amount of \$11,243,141 mainly due to expenditures being less than anticipated.

**CITY OF ROLLA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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 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. Negotiations were completed in February 2017 and construction proceeded throughout FY 2017 with anticipated completion in Spring 2018. 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 was 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 constructed a new distribution facility at HyPoint in early 2017.
- To address traffic congestion and to enhance transportation and safety along the City's primary routes the City and County initiated the MoveRolla Transportation Strategy culminating in the formation of a 1 cent TDD overlay district over much of the City's commercial corridors. The MRTDD was approved by a vote of the effected property owners in late 2016 and approved in formation in early 2017. The sales tax receipts were pledged against transportation bonds of \$36,470,000 for a number of major transportation improvements including the Hwy. 72 extension.
- Sales tax receipts decreased 2.2% in fiscal year 2017. Staff will continue to monitor the situation closely and has conservatively budgeted sales tax growth in fiscal year 2018. 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.

**CITY OF ROLLA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

- As the City has actively been selling the Sharp Road property off 18th 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.

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. 9th Street
Rolla, MO 65401
Telephone: 573-364-1572

CITY OF ROLLA, MISSOURI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rolla Municipal Utilities
ASSETS				
Cash and cash equivalents	\$ 5,532,079	3,023,270	8,555,349	25,586,593
Taxes receivable, net	1,858,847	-	1,858,847	-
Utilities receivable, net	-	1,055,748	1,055,748	2,626,692
Other accounts receivable	833,597	-	833,597	-
Court fines receivable, net	41,474	-	41,474	-
Intergovernmental receivable	495,201	-	495,201	-
Special assessments receivable	357,937	-	357,937	-
Accrued interest receivable	-	10,672	10,672	-
Inventory	33,392	-	33,392	638,156
Prepaid items	473,157	95,742	568,899	386,215
Restricted cash and cash equivalents	590,572	625,363	1,215,935	-
Restricted investments	-	911,066	911,066	-
Net pension asset	2,320,389	540,201	2,860,590	1,779,953
Capital assets:				
Nondepreciable	12,824,329	4,468,734	17,293,063	2,736,951
Depreciable, net	65,566,644	22,586,861	88,153,505	35,840,652
Total Assets	<u>90,927,618</u>	<u>33,317,657</u>	<u>124,245,275</u>	<u>69,595,212</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	19,093	-	19,093	-
Pension related	1,913,682	407,416	2,321,098	805,778
Total Deferred Outflows Of Resources	<u>1,932,775</u>	<u>407,416</u>	<u>2,340,191</u>	<u>805,778</u>
LIABILITIES				
Accounts payable	988,305	282,465	1,270,770	1,773,376
Accrued expenses	152,347	51,142	203,489	39,944
Police evidence payable	11,669	-	11,669	-
Deposits payable	934	-	934	1,665,307
Court bonds payable	1,943	-	1,943	-
Unearned revenue	14,833	-	14,833	-
Refundable permits	59,151	-	59,151	-
Accrued interest payable	42,155	70,157	112,312	15,626
Arbitrage payable	-	79,884	79,884	-
Noncurrent liabilities:				
Due within one year	1,763,209	917,255	2,680,464	1,018,025
Due in more than one year	7,339,206	7,429,479	14,768,685	10,247,000
Due in more than one year - net OPEB obligation	1,606,920	-	1,606,920	-
Total Liabilities	<u>11,980,672</u>	<u>8,830,382</u>	<u>20,811,054</u>	<u>14,759,278</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related	491,077	113,638	604,715	403,726
NET POSITION				
Net investment in capital assets	70,299,103	19,670,192	89,969,295	27,448,603
Restricted	563,004	665,545	1,228,549	-
Unrestricted	9,526,537	4,445,316	13,971,853	27,789,383
Total Net Position	<u>\$ 80,388,644</u>	<u>24,781,053</u>	<u>105,169,697</u>	<u>55,237,986</u>

See notes to financial statements

CITY OF ROLLA, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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	
Primary Government								
Governmental Activities								
Administrative	\$ 553,307	84,276	-	-	(469,031)	-	(469,031)	-
Administrator	338,974	-	-	-	(338,974)	-	(338,974)	-
Finance	608,971	7,814	-	-	(601,157)	-	(601,157)	-
Legal services	61,082	-	-	-	(61,082)	-	(61,082)	-
City court	90,875	-	-	-	(90,875)	-	(90,875)	-
911 telecommunications	1,151,596	1,183,127	-	-	31,531	-	31,531	-
Animal shelter	186,154	105,836	-	-	(80,318)	-	(80,318)	-
Police	3,852,665	148,865	184,667	-	(3,519,133)	-	(3,519,133)	-
Fire	3,091,651	157,565	-	-	(2,934,086)	-	(2,934,086)	-
Building maintenance	104,035	-	-	-	(104,035)	-	(104,035)	-
Engineering	830,247	-	-	-	(830,247)	-	(830,247)	-
Community development	397,679	243,587	-	-	(154,092)	-	(154,092)	-
Library	210,971	205,845	-	-	(5,126)	-	(5,126)	-
Economic development	294,060	130,412	-	-	(163,648)	-	(163,648)	-
Public works	6,080,055	3,618,351	-	184,371	(2,277,333)	-	(2,277,333)	-
Parks and recreation	3,081,184	1,372,222	42,455	-	(1,666,507)	-	(1,666,507)	-
Airport	826,124	261,652	-	685,758	121,286	-	121,286	-
Cemetery	545	33,530	-	-	32,985	-	32,985	-
Interest on long-term debt	245,670	-	-	-	(245,670)	-	(245,670)	-
Total Governmental Activities	<u>22,005,845</u>	<u>7,553,082</u>	<u>227,122</u>	<u>870,129</u>	<u>(13,355,512)</u>	<u>-</u>	<u>(13,355,512)</u>	<u>-</u>
Business-type Activities								
Sewer	3,289,967	3,189,521	-	42,479	-	(57,967)	(57,967)	-
Environmental services	3,317,196	3,549,432	9,718	-	-	241,954	241,954	-
Total Business-type Activities	<u>6,607,163</u>	<u>6,738,953</u>	<u>9,718</u>	<u>42,479</u>	<u>-</u>	<u>183,987</u>	<u>183,987</u>	<u>-</u>
Total Primary Government	<u>\$ 28,613,008</u>	<u>14,292,035</u>	<u>236,840</u>	<u>912,608</u>	<u>(13,355,512)</u>	<u>183,987</u>	<u>(13,171,525)</u>	<u>-</u>
Component Unit								
Rolla Municipal Utilities	<u>\$ 28,958,287</u>	<u>29,451,543</u>	<u>-</u>	<u>128,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>621,784</u>
General Revenues								
Taxes:								
Property					1,165,081	-	1,165,081	-
Sales					9,129,056	-	9,129,056	-
Motor vehicle taxes					788,865	-	788,865	-
Payment in lieu of taxes					1,460,472	-	1,460,472	-
Other					478,473	-	478,473	-
Franchise fees					638,906	-	638,906	-
Investment income					36,238	153,831	190,069	58,569
Other					140,576	103,293	243,869	236,631
Transfers					421,900	(421,900)	-	-
Total General Revenues And Transfers					<u>14,259,567</u>	<u>(164,776)</u>	<u>14,094,791</u>	<u>295,200</u>
CHANGE IN NET POSITION					904,055	19,211	923,266	916,984
NET POSITION, OCTOBER 1					<u>79,484,589</u>	<u>24,761,842</u>	<u>104,246,431</u>	<u>54,321,002</u>
NET POSITION, SEPTEMBER 30					<u>\$ 80,388,644</u>	<u>24,781,053</u>	<u>105,169,697</u>	<u>55,237,986</u>

CITY OF ROLLA, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	<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>
ASSETS								
Cash and cash equivalents	\$ 790,522	1,232,050	2,457,566	103,776	21,414	344,650	94,096	5,044,074
Taxes receivable, net	1,018,036	689,728	10	151,073	-	-	-	1,858,847
Other accounts receivable	162,045	562,105	67,732	4,032	10,146	-	-	806,060
Court fines receivable, net	41,474	-	-	-	-	-	-	41,474
Due from other funds	638,430	-	-	-	-	-	-	638,430
Intergovernmental receivable	6,253	25,549	-	-	463,399	-	-	495,201
Inventory	-	-	-	-	33,392	-	-	33,392
Prepaid items	345,525	45,050	49,247	26,357	6,978	-	-	473,157
Special assessments receivable	357,937	-	-	-	-	-	-	357,937
Restricted cash and cash equivalents	590,572	-	-	-	-	-	-	590,572
Total Assets	<u>\$ 3,950,794</u>	<u>2,554,482</u>	<u>2,574,555</u>	<u>285,238</u>	<u>535,329</u>	<u>344,650</u>	<u>94,096</u>	<u>10,339,144</u>
LIABILITIES								
Accounts payable	\$ 404,651	291,934	35,440	35,166	54,682	-	-	821,873
Accrued liabilities	111,598	14,254	14,823	9,993	2,454	-	-	153,122
Due to other funds	-	-	-	-	638,430	-	-	638,430
Police evidence payable	11,669	-	-	-	-	-	-	11,669
Court bonds payable	1,943	-	-	-	-	-	-	1,943
Refundable permits	59,151	-	159	-	-	-	-	59,310
Total Liabilities	<u>589,012</u>	<u>306,188</u>	<u>50,422</u>	<u>45,159</u>	<u>695,566</u>	<u>-</u>	<u>-</u>	<u>1,686,347</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue								
Special assessments	53,964	-	-	-	-	-	-	53,964
Court fines	11,444	-	-	-	-	-	-	11,444
Taxes	-	9,024	-	-	-	-	-	9,024
Total Deferred Inflows Of Resources	<u>65,408</u>	<u>9,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,432</u>
FUND BALANCES								
Nonspendable:								
Inventory	-	-	-	-	33,392	-	-	33,392
Prepaid items	345,525	45,050	49,247	26,357	6,978	-	-	473,157
Due from other funds - long-term	638,430	-	-	-	-	-	-	638,430
Restricted for:								
Police	55,997	-	-	-	-	-	-	55,997
Animal shelter	478,755	-	-	-	-	-	-	478,755
TIF-EATS	28,252	-	-	-	-	-	-	28,252
Committed for:								
Depreciation and replacement	-	-	2,678,524	-	-	-	-	2,678,524
Assigned for:								
Risk management	345,857	39,988	43,453	23,574	6,150	-	-	459,022
Street	-	2,154,232	-	-	-	-	-	2,154,232
Parks and recreation	-	-	-	190,148	-	-	-	190,148
Cemetery	-	-	-	-	-	344,650	-	344,650
Park land reserve	-	-	-	-	-	-	94,096	94,096
Unassigned	1,403,558	-	(247,091)	-	(206,757)	-	-	949,710
Total Fund Balances	<u>3,296,374</u>	<u>2,239,270</u>	<u>2,524,133</u>	<u>240,079</u>	<u>(160,237)</u>	<u>344,650</u>	<u>94,096</u>	<u>8,578,365</u>
Total Liabilities, Deferred Inflows Of Resources, And Fund Balances	<u>\$ 3,950,794</u>	<u>2,554,482</u>	<u>2,574,555</u>	<u>285,238</u>	<u>535,329</u>	<u>344,650</u>	<u>94,096</u>	<u>10,339,144</u>

CITY OF ROLLA, MISSOURI
RECONCILIATION OF THE BALANCE SHEET - GOVERN-
MENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Total Fund Balances - Governmental Funds \$ 8,578,365

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 \$138,262,617 and the accumulated depreciation is \$59,871,644. 78,390,973

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 74,432

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

Net pension asset	2,320,389
Deferred outflows - pension related	1,913,682
Deferred inflows - pension related	(491,077)
OPEB obligation	(1,606,920)

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	(5,344,670)
Capital leases	(2,723,880)
Accrued compensated absences	(991,452)
Accrued interest payable	(42,155)
Unamortized bond discount	1,683
Unamortized bond premium	(44,096)
Unamortized bond deferred charges	19,093

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. 334,277

Total Net Position Of Governmental Activities \$ 80,388,644

CITY OF ROLLA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<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>
REVENUES								
Taxes	\$ 7,757,110	4,668,640	1,087	1,237,127	-	-	-	13,663,964
Licenses and permits	327,863	-	-	-	-	-	-	327,863
Intergovernmental	1,761,195	3,660,979	-	-	687,451	-	-	6,109,625
Charges for services	54,349	107,193	1,163,664	256,239	261,652	8,550	-	1,851,647
Fines and forfeitures	145,478	-	-	-	-	-	-	145,478
Investment income	8,527	8,982	14,591	2,470	29	1,541	98	36,238
Miscellaneous	168,886	17,196	24,524	5,945	507	-	19,898	236,956
Total Revenues	<u>10,223,408</u>	<u>8,462,990</u>	<u>1,203,866</u>	<u>1,501,781</u>	<u>949,639</u>	<u>10,091</u>	<u>19,996</u>	<u>22,371,771</u>
EXPENDITURES								
Current:								
Administrative	414,402	-	-	-	-	-	-	414,402
Administrator	308,165	-	-	-	-	-	-	308,165
Finance	529,224	-	-	-	-	-	-	529,224
Legal services	61,082	-	-	-	-	-	-	61,082
City court	81,952	-	-	-	-	-	-	81,952
911 telecommunications	1,067,062	-	-	-	-	-	-	1,067,062
Animal shelter	129,620	-	-	-	-	-	-	129,620
Police	3,205,404	-	-	-	-	-	-	3,205,404
Fire	2,536,961	-	-	-	-	-	-	2,536,961
Building maintenance	83,602	-	-	-	-	-	-	83,602
Engineering	743,535	-	-	-	-	-	-	743,535
Community development	362,679	-	-	-	-	-	-	362,679
Library	198,361	-	-	-	-	-	-	198,361
Economic development	222,994	-	-	-	-	-	-	222,994
Public works	-	2,615,762	-	-	-	-	-	2,615,762
Parks and recreation	-	-	1,360,206	1,011,171	-	-	-	2,371,377
Airport	-	-	-	-	1,104,510	-	-	1,104,510
Capital outlay	778,896	4,641,535	141,645	299,336	22,871	-	-	5,884,283
Debt service:								
Principal	388,170	825,908	45,673	-	37,575	-	-	1,297,326
Interest and other fiscal charges	126,685	122,863	9,204	-	12,658	-	-	271,410
Total Expenditures	<u>11,238,794</u>	<u>8,206,068</u>	<u>1,556,728</u>	<u>1,310,507</u>	<u>1,177,614</u>	<u>-</u>	<u>-</u>	<u>23,489,711</u>
REVENUES OVER (UNDER) EXPENDITURES								
	<u>(1,015,386)</u>	<u>256,922</u>	<u>(352,862)</u>	<u>191,274</u>	<u>(227,975)</u>	<u>10,091</u>	<u>19,996</u>	<u>(1,117,940)</u>
OTHER FINANCING SOURCES (USES)								
Capital lease	186,000	-	93,951	-	-	-	-	279,951
Sale of capital assets	-	31,504	-	-	-	-	-	31,504
Transfers in	996,500	-	-	1,437	158,270	-	-	1,156,207
Transfers out	<u>(158,270)</u>	<u>(437,400)</u>	<u>(71,300)</u>	<u>(65,900)</u>	<u>-</u>	<u>(1,437)</u>	<u>-</u>	<u>(734,307)</u>
Total Other Financing Sources (Uses)	<u>1,024,230</u>	<u>(405,896)</u>	<u>22,651</u>	<u>(64,463)</u>	<u>158,270</u>	<u>(1,437)</u>	<u>-</u>	<u>733,355</u>
NET CHANGE IN FUND BALANCES								
	8,844	(148,974)	(330,211)	126,811	(69,705)	8,654	19,996	(384,585)
FUND BALANCES, OCTOBER 1	<u>3,287,530</u>	<u>2,388,244</u>	<u>2,854,344</u>	<u>113,268</u>	<u>(90,532)</u>	<u>335,996</u>	<u>74,100</u>	<u>8,962,950</u>
FUND BALANCES, SEPTEMBER 30	<u>\$ 3,296,374</u>	<u>2,239,270</u>	<u>2,524,133</u>	<u>240,079</u>	<u>(160,237)</u>	<u>344,650</u>	<u>94,096</u>	<u>8,578,365</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, 2017

Net Change In Fund Balances - Governmental Funds \$ (384,585)

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 (\$4,588,924) exceeded depreciation (\$3,368,101) in the current period.	1,220,823
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, donations) is to increase net position.	17,195
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds financial statements.	(3,111)
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	(279,951)
Repayments:	
Capital leases	630,655
Bonds and certificates of participation payable	666,671
Amortization	11,863
Net Adjustment	1,029,238
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	2,591
Accrued compensated absences	(32,056)
OPEB expense	(350,900)
Pension expense	(634,341)
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.	39,201
Change In Net Position Of Governmental Activities	\$ 904,055

CITY OF ROLLA, MISSOURI
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Sewer</u>	<u>Environmental Services</u>	<u>Total</u>	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,794,249	1,229,021	3,023,270	488,005
Utilities receivable, net	610,569	445,179	1,055,748	-
Other accounts receivable	-	-	-	27,537
Accrued interest receivable	10,672	-	10,672	-
Prepaid items	35,414	60,328	95,742	-
Total Current Assets	<u>2,450,904</u>	<u>1,734,528</u>	<u>4,185,432</u>	<u>515,542</u>
Noncurrent Assets				
Cash and cash equivalents - restricted	625,363	-	625,363	-
Investments - restricted	911,066	-	911,066	-
Net pension asset	199,261	340,940	540,201	-
Capital assets:				
Land	716,336	670,663	1,386,999	-
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	13,245,596	-	13,245,596	-
Manhole covers	1,459,701	-	1,459,701	-
Major moveable equipment	2,080,179	3,678,250	5,758,429	-
Less - Accumulated depreciation	(14,000,109)	(3,573,432)	(17,573,541)	-
Total Capital Assets	<u>23,368,044</u>	<u>3,687,551</u>	<u>27,055,595</u>	<u>-</u>
Total Noncurrent Assets	<u>25,103,734</u>	<u>4,028,491</u>	<u>29,132,225</u>	<u>-</u>
Total Assets	<u>27,554,638</u>	<u>5,763,019</u>	<u>33,317,657</u>	<u>515,542</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension related	150,280	257,136	407,416	-
LIABILITIES				
Current Liabilities				
Accounts payable	165,506	116,959	282,465	166,432
Accrued liabilities	22,321	28,821	51,142	-
Unearned revenue	-	-	-	14,833
Accrued interest payable	70,157	-	70,157	-
Arbitrage payable	79,884	-	79,884	-
Current maturities of long-term debt	862,247	55,008	917,255	-
Total Current Liabilities	<u>1,200,115</u>	<u>200,788</u>	<u>1,400,903</u>	<u>181,265</u>
Noncurrent Liabilities				
Certificates of participation payable	3,837,004	-	3,837,004	-
Revenue bonds payable, net	2,487,638	-	2,487,638	-
Capital lease payable	228,672	-	228,672	-
Payable to other governments	791,000	-	791,000	-
Compensated absences payable	30,157	55,008	85,165	-
Total Noncurrent Liabilities	<u>7,374,471</u>	<u>55,008</u>	<u>7,429,479</u>	<u>-</u>
Total Liabilities	<u>8,574,586</u>	<u>255,796</u>	<u>8,830,382</u>	<u>181,265</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension related	41,917	71,721	113,638	-
NET POSITION				
Net investment in capital assets	15,982,641	3,687,551	19,670,192	-
Restricted	665,545	-	665,545	-
Unrestricted	2,440,229	2,005,087	4,445,316	334,277
Total Net Position	<u>\$ 19,088,415</u>	<u>5,692,638</u>	<u>24,781,053</u>	<u>334,277</u>

CITY OF ROLLA, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN
NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Enterprise Funds			Internal Service Fund
	Sewer	Environmental Services	Total	
OPERATING REVENUES				
Charges for services	\$ 3,189,439	3,549,432	6,738,871	-
Charges to other departments	-	-	-	2,267,456
Contributions - employees	-	-	-	774,133
Miscellaneous	82	-	82	2,674
Total Operating Revenues	<u>3,189,521</u>	<u>3,549,432</u>	<u>6,738,953</u>	<u>3,044,263</u>
OPERATING EXPENSES				
Personnel services	912,623	1,553,136	2,465,759	-
Contractual services	210,969	26,585	237,554	-
Repairs and maintenance	494,761	126,787	621,548	-
Supplies	63,681	370,349	434,030	-
Utilities	286,857	21,891	308,748	-
Insurance claims and expenses	44,497	79,799	124,296	3,007,386
Landfill	-	729,228	729,228	-
Depreciation	716,482	325,839	1,042,321	-
Miscellaneous	217,445	83,582	301,027	-
Total Operating Expenses	<u>2,947,315</u>	<u>3,317,196</u>	<u>6,264,511</u>	<u>3,007,386</u>
OPERATING INCOME	<u>242,206</u>	<u>232,236</u>	<u>474,442</u>	<u>36,877</u>
NONOPERATING REVENUES				
(EXPENSES)				
Intergovernmental	-	9,718	9,718	-
Investment income	153,676	155	153,831	2,324
Gain on sale of capital assets	77,823	25,470	103,293	-
Interest and fiscal charges	(342,652)	-	(342,652)	-
Total Nonoperating Revenues (Expenses)	<u>(111,153)</u>	<u>35,343</u>	<u>(75,810)</u>	<u>2,324</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	131,053	267,579	398,632	39,201
CAPITAL CONTRIBUTIONS	42,479	-	42,479	-
TRANSFERS OUT	<u>(274,500)</u>	<u>(147,400)</u>	<u>(421,900)</u>	<u>-</u>
CHANGE IN NET POSITION	(100,968)	120,179	19,211	39,201
NET POSITION, OCTOBER 1	<u>19,189,383</u>	<u>5,572,459</u>	<u>24,761,842</u>	<u>295,076</u>
NET POSITION, SEPTEMBER 30	<u>\$ 19,088,415</u>	<u>5,692,638</u>	<u>24,781,053</u>	<u>334,277</u>

See notes to financial statements

CITY OF ROLLA, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Enterprise Funds			Internal Service Fund
	Sewer	Environmental Services	Total	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash flows from operating activities:				
Cash received from customers	\$ 3,157,342	3,479,922	6,637,264	3,028,627
Cash paid to suppliers	(1,254,571)	(1,425,205)	(2,679,776)	(3,025,015)
Cash paid to employees	(841,797)	(1,411,703)	(2,253,500)	-
Net Cash Provided By Operating Activities	<u>1,060,974</u>	<u>643,014</u>	<u>1,703,988</u>	<u>3,612</u>
Cash flows from noncapital financing activities:				
Operating grants	-	9,718	9,718	-
Payments to other governments	(273,000)	-	(273,000)	-
Operating transfer out	(274,500)	(147,400)	(421,900)	-
Net Cash Used In Noncapital Financing Activities	<u>(547,500)</u>	<u>(137,682)</u>	<u>(685,182)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(86,460)	(168,312)	(254,772)	-
Proceeds from sale of capital assets	84,982	25,470	110,452	-
Payment of capital lease obligation	(72,565)	-	(72,565)	-
Payment of bond principal	(530,000)	-	(530,000)	-
Payment of interest expense	(353,790)	-	(353,790)	-
Payment of principal on COPs	(248,329)	-	(248,329)	-
Net Cash Used In Capital And Related Financing Activities	<u>(1,206,162)</u>	<u>(142,842)</u>	<u>(1,349,004)</u>	<u>-</u>
Cash flows from investing activities:				
Maturity of investments	321,137	-	321,137	-
Investment income	156,888	155	157,043	2,324
Net Cash Provided By Investing Activities	<u>478,025</u>	<u>155</u>	<u>478,180</u>	<u>2,324</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(214,663)	362,645	147,982	5,936
CASH AND CASH EQUIVALENTS, OCTOBER 1	<u>2,634,275</u>	<u>866,376</u>	<u>3,500,651</u>	<u>482,069</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u><u>\$ 2,419,612</u></u>	<u><u>1,229,021</u></u>	<u><u>3,648,633</u></u>	<u><u>488,005</u></u>

CITY OF ROLLA, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Sewer</u>	<u>Environmental Services</u>	<u>Total</u>	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 242,206	232,236	474,442	36,877
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	716,482	325,839	1,042,321	-
(Increase) decrease in:				
Utilities receivable	(32,179)	(69,510)	(101,689)	-
Other accounts receivable	-	-	-	(15,636)
Prepaid items	(2,721)	(638)	(3,359)	-
Net pension asset	(101,509)	(164,758)	(266,267)	-
Deferred outflows - pension related	173,751	326,879	500,630	-
Increase (decrease) in:				
Accounts payable	68,529	13,654	82,183	(21,735)
Accrued liabilities	5,354	3,807	9,161	4,106
Compensated absences	6,782	3,757	10,539	-
Arbitrage payable	(2,169)	-	(2,169)	-
Deferred inflows - pension related	(13,552)	(28,252)	(41,804)	-
Total Adjustments	<u>818,768</u>	<u>410,778</u>	<u>1,229,546</u>	<u>(33,265)</u>
Net Cash Provided By Operating Activities	<u>\$ 1,060,974</u>	<u>643,014</u>	<u>1,703,988</u>	<u>3,612</u>

Noncash investing, capital, and financing activities:

Sewer Fund received \$42,479, in contributed sewer lines from developers.

Sewer Fund purchased equipment through a capital finance lease agreement for \$375,000.

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, 2017, 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 non-exchange 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 Center Fund -- The Recreation Center Fund is used to account for tax revenues and charges for services that are restricted, committed, or assigned for the City's recreation center.

Parks 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's airport.

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

Assets	Years
Primary Government	
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
RMU	
Electric plant:	
General electric plant	20
Transportation equipment	6 ² / ₃
Power operated equipment	6 ² / ₃
Stores, laboratory tools, communication and miscellaneous equipment	10
Water plant:	
General water plant	33 ¹ / ₃
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 liability (asset), 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, 2017, the City's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

As of September 30, 2017, 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, 2017, the City had the following investments:

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

	Fair Value	Maturities			Credit Risk
		No Maturity	1 - 5 Years	6 - 10 Years	
Primary Government					
Guaranteed investment contracts	\$ 910,881	-	910,881	-	Not rated
State and local government series	185	-	185	-	AAA
Money market fund	125,049	125,049	-	-	Not rated
Total Investments	<u>\$ 1,036,115</u>	<u>125,049</u>	<u>911,066</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, 2017, the City had the following investment concentrations:

Primary Government	Fair Value	Percent Of Total Investments
Money market funds	\$ 125,049	12.08 %
Guaranteed investment contracts	910,881	87.91

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 accepted 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 prices quoted in active markets for those securities; Level 2 inputs are significant other observable inputs using a matrix pricing technique; and Level 3 inputs are significant unobservable inputs. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. 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, 2017:

	Total	Level 1	Level 2	Level 3
Primary Government				
Investments by fair value level:				
State and local government series	\$ 185	-	185	-
Investments not subject to fair value level classification:				
Guaranteed investment contracts	910,881			
Money market funds	125,049			
Total Investments	\$ 1,036,115			

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)

For The Year Ended September 30, 2017			
	Accounts Receivable	Allowance	Net Accounts Receivable
Primary Government			
Taxes receivables:			
General Fund	\$ 1,023,086	(5,050)	1,018,036
Street Fund	689,728	-	689,728
Parks and Recreation Center Funds	151,083	-	151,083
Total Taxes Receivables	\$ 1,863,897	(5,050)	1,858,847
Utilities receivables:			
Sewer Fund	\$ 616,769	(6,200)	610,569
Environmental Services Fund	445,179	-	445,179
Total Utilities Receivables	\$ 1,061,948	(6,200)	1,055,748
Court fines receivable:			
General Fund	\$ 131,393	(89,919)	41,474
RMU			
Accounts receivables:			
Utilities receivable including refundable deposits	\$ 927,479	(60,000)	867,479
Unbilled utilities receivable	1,663,456	-	1,663,456
Other	95,757	-	95,757
Total Accounts Receivables	\$ 2,686,692	(60,000)	2,626,692

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)

	September 30, 2017	
	Restricted Cash And Investments	Restricted Net Position
General Fund		
Court bonds	\$ 1,943	-
TIF deposits	42,103	28,252
Police evidence	11,669	-
Seizures and forfeitures	55,997	55,997
Animal control shelter	478,755	478,755
Property fire	105	-
	\$ 590,572	563,004
Total General Fund	\$ 590,572	563,004
Sewer Fund		
1996E Revenue Bonds:		
Rebate account	\$ 1,759	-
Principal and interest	185	185
2000A Revenue Bonds:		
Reserve account	791,000	-
Rebate account	60,251	-
Principal and interest	119,881	119,881
2006B Revenue Bonds:		
Rebate account	17,874	-
Principal and interest	45,165	45,165
Depreciation and replacement	500,314	500,314
	\$ 1,536,429	665,545
Total Sewer Fund	\$ 1,536,429	665,545

NOTE E - LONG-TERM LIABILITIES

Governmental Activities

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

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.

NOTE E - LONG-TERM LIABILITIES (Continued)

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 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%.

On October 21, 2016, the City entered into a 5-year lease purchase agreement to finance the purchase of breathing apparatus equipment. The agreement requires annual lease payments of \$39,061, which includes interest at 1.65%.

On November 1, 2016, the City entered into a 3-year lease purchase agreement to finance the purchase of fitness equipment. The agreement requires monthly lease payments of \$2,779, which includes interest at 4.118%.

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:

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM LIABILITIES (Continued)

	September 30
	2017
	<hr/>
Land	\$ 356,512
Building	1,763,319
Machinery and equipment	3,411,680
Total Cost	<hr/> 5,531,511
Less - Accumulated depreciation	<hr/> 2,732,171
	<hr/>
Net Book Value	<u><u>\$ 2,799,340</u></u>

The total annual minimum lease payments required at September 30, 2017, 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	Breathing Apparatus Equip- ment	Fitness Equip- ment	Total
2018	\$ 187,621	65,120	25,550	76,794	50,432	52,701	40,851	97,071	39,061	33,345	668,546
2019	187,621	-	25,550	76,794	50,432	52,701	40,851	97,071	39,062	30,566	600,648
2020	187,621	-	25,550	76,794	50,432	-	40,851	97,071	39,061	5,558	522,938
2021	187,621	-	25,550	-	50,432	-	-	97,071	39,062	-	399,736
2022	187,621	-	25,550	-	50,432	-	-	-	-	-	263,603
2023 - 2027	<u>469,598</u>	<u>-</u>	<u>127,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>597,348</u>
Total Mini- mum Lease Payments	1,407,703	65,120	255,500	230,382	252,160	105,402	122,553	388,284	156,246	69,469	3,052,819
Less - Interest	<u>(215,179)</u>	<u>(2,378)</u>	<u>(48,268)</u>	<u>(13,119)</u>	<u>(16,848)</u>	<u>(2,747)</u>	<u>(4,149)</u>	<u>(17,007)</u>	<u>(6,238)</u>	<u>(3,006)</u>	<u>(328,939)</u>
Principal Bal- ance, Septem- ber 30, 2016	<u>\$ 1,192,524</u>	<u>62,742</u>	<u>207,232</u>	<u>217,263</u>	<u>235,312</u>	<u>102,655</u>	<u>118,404</u>	<u>371,277</u>	<u>150,008</u>	<u>66,463</u>	<u>2,723,880</u>

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%.	September 30 2017 <hr/> <u>\$1,220,000</u>
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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.	<u>\$3,095,000</u>
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CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM LIABILITIES (Continued)

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
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	-	-	-	510,000	50,605	560,605
2023 - 2025	-	-	-	1,605,000	70,350	1,675,350
Total	<u>\$ 1,220,000</u>	<u>24,600</u>	<u>1,244,600</u>	<u>3,095,000</u>	<u>404,178</u>	<u>3,499,178</u>

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

	For The Year Ended September 30, 2017			Balance September 30 2017	Amounts Due Within One Year
	Balance September 30 2016	Additions	Deletions		
	Capital leases payable	\$ 3,074,584	279,951		
General obligation bonds	1,800,000	-	580,000	1,220,000	600,000
Plus - Premium on bonds	66,144	-	22,048	44,096	-
Certificates of participation	4,211,341	-	86,671	4,124,670	86,675
Less - Discount on bonds	(1,907)	-	(224)	(1,683)	-
Compensated absences payable	959,396	511,754	479,698	991,452	495,726
Total Governmental Activities Long- term Liabilities	<u>\$ 10,109,558</u>	<u>791,705</u>	<u>1,798,848</u>	<u>9,102,415</u>	<u>1,763,209</u>

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

Business-type Activities

Long-term debt in the Sewer Fund consists of one capital lease purchase agreement, the 2000A Wastewater System Revenue Bonds, the 2006B Sewerage System Revenue Bonds, and the Series 2012 and 2012B certificates of participation.

Capital Lease

On October 21, 2016, the City entered into a 5-year lease purchase agreement to finance the purchase of a 2014 Freightliner Truck with VactorTRAK system. The agreement requires annual lease payments of \$78,753, which includes interest at 1.650%.

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM LIABILITIES (Continued)

The asset acquired through the capital lease is as follows:

	September 30 2017
Machinery and equipment, cost	\$ 375,157
Less - Accumulated depreciation	31,263
Net Book Value	\$ 343,894

The total annual minimum lease payments required at September 30, 2017, are as follows:

For The Years Ending September 30	2014 Freightliner
2018	\$ 78,753
2019	78,753
2020	78,753
2021	78,753
Total Minimum Lease Payments	315,012
Less - Interest	12,577
Present Value Of Minimum Lease Payments	\$ 302,435

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 2.0% 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, 2017, are as follows:

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM LIABILITIES (Continued)

For The Years Ending September 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 86,675	27,466	78,326	24,821	165,001	52,287
2019	89,301	25,595	80,699	23,130	170,000	48,725
2020	91,928	23,488	83,073	21,225	175,001	44,713
2021	94,554	21,155	85,446	19,117	180,000	40,272
2022	97,181	18,566	87,820	16,777	185,001	35,343
2023 - 2027	570,031	45,224	444,966	40,867	1,014,997	86,091
Total	<u>\$ 1,029,670</u>	<u>161,494</u>	<u>860,330</u>	<u>145,937</u>	<u>1,890,000</u>	<u>307,431</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, 2017, are as follows:

For The Years Ending September 30	Principal	Interest	Total
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	195,000	80,088	275,088
2023 - 2027	1,060,000	311,860	1,371,860
2028 - 2032	1,245,000	130,858	1,375,858
Total	<u>\$ 3,230,000</u>	<u>892,665</u>	<u>4,122,665</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, 2017, are as follows:

<u>For The Years Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
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>\$ 1,130,000</u>	<u>130,655</u>	<u>16,457</u>	<u>1,277,112</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, 2017, are as follows:

<u>For The Years Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
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	175,000	56,237	8,497	239,734
2023 - 2027	1,015,000	142,051	22,383	1,179,434
Total	<u>\$ 1,820,000</u>	<u>493,838</u>	<u>76,290</u>	<u>2,390,128</u>

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

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM LIABILITIES (Continued)

	For The Year Ended September 30, 2017			Balance September 30 2017	Amounts Due Within One Year
	Balance September 30 2016	Additions	Deletions		
Revenue bonds	\$ 3,480,000	-	530,000	2,950,000	505,000
Plus - Premium on bonds	47,375	-	4,737	42,638	-
Capital leases payable	-	375,000	72,565	302,435	73,763
Certificates of participation	4,338,659	-	248,329	4,090,330	253,326
Compensated absences	159,792	90,436	79,897	170,331	85,166
	<u>\$ 8,025,826</u>	<u>465,436</u>	<u>935,528</u>	<u>7,555,734</u>	<u>917,255</u>
Total Business-type Activities Long- term Liabilities	<u>\$ 8,025,826</u>	<u>465,436</u>	<u>935,528</u>	<u>7,555,734</u>	<u>917,255</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:

	For The Year Ended September 30, 2017			Balance September 30 2017	Amounts Due Within One Year
	Balance September 30 2016	Additions	Deletions		
Leases payable	\$ 11,978,000	-	849,000	11,129,000	882,000
Compensated absences	136,408	123,891	124,274	136,025	136,025
	<u>\$ 12,114,408</u>	<u>123,891</u>	<u>973,274</u>	<u>11,265,025</u>	<u>1,018,025</u>
Total	<u>\$ 12,114,408</u>	<u>123,891</u>	<u>973,274</u>	<u>11,265,025</u>	<u>1,018,025</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 \$145,000.

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 \$737,000.

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 noncancellable capital leases.

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

For The Years Ending September 30	Water Towers	Electric Substation	Total
2018	\$ 185,038	1,102,850	1,287,888
2019	183,414	1,104,251	1,287,665
2020	186,526	1,106,665	1,293,191
2021	184,292	1,108,862	1,293,154
2022	186,729	1,110,096	1,296,825
2023 - 2027	193,624	5,587,441	5,781,065
2028 - 2029	-	1,407,497	1,407,497
Total Minimum Lease Payments	1,119,623	12,527,662	13,647,285
Less - Imputed interest	134,623	2,383,662	2,518,285
Present Value Of Minimum Lease Payments	<u>\$ 985,000</u>	<u>10,144,000</u>	<u>11,129,000</u>

The assets acquired through the capital leases are as follows:

	September 30 2017
Cost	\$ 17,033,496
Less - Accumulated depreciation	<u>5,738,577</u>
Net Book Value	<u>\$ 11,294,919</u>

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - CAPITAL ASSETS

Primary Government

Capital asset activity for the governmental activities was as follows:

	For The Year Ended September 30, 2017			Balance September 30 2017
	Balance September 30 2016	Increases	Decreases	
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 12,784,058	40,271	-	12,824,329
Construction in progress	55,778	-	55,778	-
Total Capital Assets Not Being Depreciated	12,839,836	40,271	55,778	12,824,329
Capital assets being depreciated:				
Building and improvements	25,058,438	882,873	-	25,941,311
Machinery and equipment	11,992,667	806,071	192,497	12,606,241
Infrastructure	83,957,296	2,933,440	-	86,890,736
Total Capital Assets Being Depreciated	121,008,401	4,622,384	192,497	125,438,288
Less - Accumulated depreciation for:				
Building and improvements	13,791,648	1,010,113	-	14,801,761
Machinery and equipment	8,419,888	702,491	191,739	8,930,640
Infrastructure	34,483,746	1,655,497	-	36,139,243
Total Accumulated Depre- ciation	56,695,282	3,368,101	191,739	59,871,644
Total Capital Assets Being Depreciated, Net	64,313,119	1,254,283	758	65,566,644
Total Capital Assets - Gov- ernmental Activities, Net	\$ 77,152,955	1,294,554	56,536	78,390,973

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 2017</u>
Governmental Activities	
Administrative	\$ 137,091
Administrator	65
Finance	1,838
Animal shelter	7,470
Police	185,265
Fire	275,245
Building maintenance	7,978
Engineering	741
Community development	3,869
Public works	1,874,205
Parks and recreation	505,674
Airport	368,115
Cemetery	545
	<u>545</u>
Total	<u>\$ 3,368,101</u>

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

	<u>For The Year Ended September 30, 2017</u>			
	<u>Balance September 30 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30 2017</u>
Business-type Activities - Sewer				
Capital assets not being depreciated:				
Land	\$ 696,733	19,603	-	716,336
Construction in progress	3,081,735	-	-	3,081,735
Total Capital Assets Not Being Depreciated	<u>3,778,468</u>	<u>19,603</u>	<u>-</u>	<u>3,798,071</u>
Capital assets being depreciated:				
Buildings	1,863,017	-	-	1,863,017
Equipment	1,864,036	458,628	242,485	2,080,179
Sewer collection system	29,601,178	25,708	-	29,626,886
Total Capital Assets Being Depreciated	<u>33,328,231</u>	<u>484,336</u>	<u>242,485</u>	<u>33,570,082</u>
Less - Accumulated depreciation for:				
Buildings	1,119,227	128,010	-	1,247,237
Equipment	1,434,025	105,850	235,326	1,304,549
Sewer collection system	10,965,701	482,622	-	11,448,323
Total Accumulated Depreciation	<u>13,518,953</u>	<u>716,482</u>	<u>235,326</u>	<u>14,000,109</u>
Total Capital Assets, Business-type Activities - Sewer, Being Depreciated, Net	<u>19,809,278</u>	<u>(232,146)</u>	<u>7,159</u>	<u>19,569,973</u>
Total Capital Assets - Business-type Activities - Sewer, Net	<u>\$ 23,587,746</u>	<u>(212,543)</u>	<u>7,159</u>	<u>23,368,044</u>

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - CAPITAL ASSETS (Continued)

	For The Year Ended September 30, 2017				
	Balance	Increases	Decreases		Balance
	September 30 2016				September 30 2017
Business-type Activities - Environmental Services					
Capital assets not being depreciated:					
Land	\$ 670,663	-	-	670,663	
Capital assets being depreciated:					
Buildings	2,912,070	-	-	2,912,070	
Equipment	3,626,730	168,312	116,792	3,678,250	
Total Capital Assets Being Depreciated	<u>6,538,800</u>	<u>168,312</u>	<u>116,792</u>	<u>6,590,320</u>	
Less - Accumulated depreciation for:					
Buildings	962,851	104,109	-	1,066,960	
Equipment	2,401,534	221,730	116,792	2,506,472	
Total Accumulated Depreciation	<u>3,364,385</u>	<u>325,839</u>	<u>116,792</u>	<u>3,573,432</u>	
Total Capital Assets, Business-type Activities Environmental Services, Being Depreciated, Net	<u>3,174,415</u>	<u>(157,527)</u>	<u>-</u>	<u>3,016,888</u>	
Total Capital Assets - Business-type Activities - Environmental Services, Net	<u>\$ 3,845,078</u>	<u>(157,527)</u>	<u>-</u>	<u>3,687,551</u>	
Grand Total Capital Assets - Business- type Activities, Net	<u>\$ 27,432,824</u>	<u>(370,070)</u>	<u>7,159</u>	<u>27,055,595</u>	

RMU

	For The Year Ended September 30, 2017				
	Balance	Increases	Decreases		Balance
	September 30 2016				September 30 2017
Business-type Activities					
Capital assets not being depreciated:					
Land and easements	\$ 2,744,451	-	7,500	2,736,951	
Capital assets being depreciated:					
Buildings and improvements	5,043,919	485,497	15,989	5,513,427	
Office furniture, fixtures, and equipment	800,721	32,975	21,954	811,742	
Transportation equipment	1,855,312	141,034	111,992	1,884,354	
Distribution system	61,788,885	2,539,500	429,762	63,898,623	
Production system	8,466,747	22,400	36,774	8,452,373	
Total Capital Assets Being Depreciated	<u>77,955,584</u>	<u>3,221,406</u>	<u>616,471</u>	<u>80,560,519</u>	
Less - Accumulated depreciation for:					
Buildings and improvements	3,600,831	152,947	11,831	3,741,947	
Office furniture, fixtures, and equipment	720,111	34,275	21,957	732,429	
Transportation equipment	986,880	155,026	111,992	1,029,914	
Distribution system	31,000,593	1,973,295	416,268	32,557,620	
Production system	6,275,061	413,901	31,005	6,657,957	
Total Accumulated Depreciation	<u>42,583,476</u>	<u>2,729,444</u>	<u>593,053</u>	<u>44,719,867</u>	
Total Capital Assets Being Depreciated, Net	<u>35,372,108</u>	<u>491,962</u>	<u>23,418</u>	<u>35,840,652</u>	
Total Capital Assets - Business-type Activities, Net	<u>\$ 38,116,559</u>	<u>491,962</u>	<u>30,918</u>	<u>38,577,603</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.

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.

2017 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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	65
Active employees	<u>188</u>
Total	<u>361</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 9.5% (General), 8.7% (Police), and 12.8% (Fire) of annual covered payroll.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 28, 2017.

Actuarial Assumptions

The total pension liability in the February 28, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% 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 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%	5.29%
Fixed income	26.00	2.93
Real assets	21.00	3.31
Strategic assets	10.00	5.73

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 (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a)-(b)</u>
Balances at June 30, 2016	<u>\$ 35,529,249</u>	<u>37,074,759</u>	<u>(1,545,510)</u>
Changes for the year			
Service cost	863,543	-	863,543
Interest	2,556,735	-	2,556,735
Difference between expected and actual experience	276,100	-	276,100
Contributions - employer	-	778,575	(778,575)
Net investment income	-	4,377,781	(4,377,781)
Benefit payments, including refunds	(1,400,838)	(1,400,838)	-
Administrative expense	-	(27,392)	27,392
Other changes	-	(117,506)	117,506
Net Changes	<u>2,295,540</u>	<u>3,610,620</u>	<u>(1,315,080)</u>
Balances at June 30, 2017	<u>\$ 37,824,789</u>	<u>40,685,379</u>	<u>(2,860,590)</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 City'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.

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
Net pension liability (asset)	\$ 2,765,225	(2,860,590)	(7,469,799)

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

For the year ended September 30, 2017, the City recognized pension expense of \$1,581,285. Reported deferred outflows and inflows of resources are related to pensions from the following sources:

	Outflows	Inflows	Net Outflows
Differences in experience	\$ 254,335	(604,715)	(350,380)
Assumption changes	788,980	-	788,980
Net difference between projected and actual earnings on pension plan investments	1,081,502	-	1,081,502
Contributions subsequent to the measurement date*	196,281	-	196,281
Total	\$ 2,321,098	(604,715)	1,716,383

*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
June 30**

2018		\$ 676,705
2019		676,707
2020		325,833
2021		(265,628)
2020		54,495
Thereafter		<u>51,990</u>
Total		<u>\$ 1,520,102</u>

Payable to the Pension Plan

At September 30, 2017, the City reported a payable of \$10,524 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2017.

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.

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)

	<u>2017</u> <u>Valuation</u>
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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>53</u>
Total	<u>93</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 RMU do not contribute to the pension plan. RMU contribution rates are 10.4% (General) of annual covered payroll.

Net Pension Liability (Asset)

RMU's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 28, 2017.

Actuarial Assumptions

The total pension liability in the February 28, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% 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 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%	5.29%
Fixed income	26.00	2.93
Real assets	21.00	3.31
Strategic assets	10.00	5.73

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)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at June 30, 2016	\$ 17,356,409	17,969,920	(613,511)
Changes for the year			
Service cost	282,768	-	282,768
Interest	1,239,270	-	1,239,270
Difference between expected and actual experience	(93,049)	-	(93,049)
Contributions - employer	-	376,115	(376,115)
Net investment income	-	2,198,821	(2,198,821)
Benefit payments, including refunds	(818,192)	(818,192)	-
Administrative expense	-	(7,838)	7,838
Other changes	-	28,333	(28,333)
Net Changes	<u>610,797</u>	<u>1,777,239</u>	<u>(1,166,442)</u>
Balances at June 30, 2017	<u>\$ 17,967,206</u>	<u>19,747,159</u>	<u>(1,779,953)</u>

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

The following presents the net pension liability (asset) of RMU, calculated using the discount rate of 7.25%, as well as what RMU'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.

	Discount Rate		
	1% Decrease	Assumption	1% Increase
Net pension liability (asset)	<u>\$ 808,109</u>	<u>(1,779,953)</u>	<u>(3,906,656)</u>

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

For the year ended September 30, 2017, RMU recognized pension expense of \$453,693. 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)

	Outflows	Inflows	Net Outflows
Differences in experience	\$ -	(403,726)	(403,726)
Assumption changes	286,416	-	286,416
Net difference between projected and actual earnings on pension plan investments	453,751	-	453,751
Contributions subsequent to the measurement date*	65,611	-	65,611
Total	\$ 805,778	(403,726)	402,052

*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
June 30**

2018	\$ 239,954
2019	239,955
2020	63,245
2021	(197,299)
2022	(9,414)
Total	\$ 336,441

Payable to the Pension Plan

At September 30, 2017, RMU reported a payable of \$21,613 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2017.

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)

	September 30 2016
Assessed valuation:	
Real estate	\$ 210,659,136
Personal property	41,659,548
Total Assessed Valuation	\$ 252,318,684
	September 30 2016
Tax rate per \$100 assessed valuation:	
General levy	\$ 0.4577
Library levy	0.1910
Park levy	0.1127
Total Tax Rate Per \$100 Assessed Valuations	\$ 0.7614

The legal debt margin at September 30, 2017, was computed as follows:

	General Obligation Bonds		
	Ordinary(1)	Additional (2)	Total
Constitutional debt limit	\$ 24,833,771	24,833,771	49,667,542
General obligation bonds payable	(1,220,000)	-	(1,220,000)
Legal Debt Margin	\$ 23,613,771	24,833,771	48,447,542

- (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, 2018.

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 \$756,095 for MIRMA's fiscal year ended June 30, 2017. 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, 2017, 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 \$166,432. Changes in estimated benefit obligation during the past two years are as follows:

Estimated benefit obligation, October 1, 2015	\$ 238,070
Claims incurred	2,577,359
Claims paid	(2,627,262)
Estimated benefit obligation, October 1, 2016	188,167
Claims incurred	2,570,997
Claims paid	(2,592,732)
Estimated Benefit Obligation, September 30, 2017	\$ 166,432

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE K - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The individual interfund balances are as follows:

Receivable Fund	Payable Fund	September 30 2017
General Fund	Airport Fund	\$ 638,430

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 Airport Fund interfund balance will be repaid as additional revenues allow.

Individual interfund transfers are as follows:

Transfers In	Transfers Out	September 30 2017
General Fund	Sewer Fund	\$ 274,500
General Fund	Environmental Services Fund	147,400
General Fund	Parks Fund	65,900
General Fund	Street Fund	437,400
General Fund	Recreation Center Fund	71,300
Airport Fund	General Fund	158,270
Parks Fund	Cemetery Fund	1,437
Total		\$ 1,156,207

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 \$1,228,549 of restricted net position, of which \$563,004 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:

	For The Year Ended September 30 2017
ARC	\$ 536,300
Adjustment to ARC	(44,900)
Interest on net OPEB obligation	44,000
Annual OPEB Cost	535,400
Contributions made	(184,500)
Increase In Net OPEB Obligation	350,900
Net OPEB obligation - beginning of year	1,256,020
Net OPEB Obligation - End Of Year	\$ 1,606,920

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)

Schedule Of Employer Contributions

For The Years Ended September 30	Contribution Made	Amount	Percent Contributed	Amount	Percent Contributed	Net OPEB Obligation
2017	\$ 184,500	\$ 535,400	34.5 %	\$ 536,300	34.4 %	\$ 1,606,920
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, 2017.

September 30

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As A Percentage Of Covered Payroll ((b-a)/c)
2017	\$ -	\$ 5,465,200	\$ 5,465,200	- %	\$ 8,972,000	60.91 %
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 2017 actuarial valuation, the projected unit credit cost method was used, and the interest rate used for discounting liabilities was 3.50%. 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 6.0% for 2017, with annual rate reductions to an ultimate rate of 4% in 2083. 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 \$179,814 in fiscal year 2017 for billing services and \$648,011 for water and electric services. The City contributed \$93,336 to RMU for capital expenses in fiscal year 2017.

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 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 \$3,574,493. Principal and interest paid for the current year and total customer net revenues were \$704,139 and \$3,189,439, 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, 2017, the balances in the TIF-EATS and TIF-PILOTS accounts are \$42,088 and \$15, respectively. The amount paid in the current year was \$206,819.

NOTE R - COMMITMENTS

Primary Government

At September 30, 2017, 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.

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, 2017 was \$19,741,989.

NOTE S - RISK MANAGEMENT

The City and RMU are exposed to various risks of losses related to torts; theft to, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City and RMU have transferred their risk by obtaining coverage from Missouri Intergovernmental Risk Management Association. In addition, they have effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE T - TAX ABATEMENT

RMU entered into an incentive agreement with Hartmann US Inc. RMU will provide Utility Cost Assistance discounts to the Company based on utility rates in effect at the given time. Electric energy and water consumption and wastewater utility charges will be discounted during the first 5 years of the Facility's operation. Year one for the discounts will begin as of the first day of the month in which the Company begins operating the Facility. As of September 30, 2017, RMU has discounted \$15,584.

NOTE U - DEFICIT FUND BALANCE

The Airport Fund has a deficit fund balance at September 30, 2017 of (\$160,237). This deficit will be financed through future revenues of the fund.

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE V - PRIOR PERIOD ADJUSTMENTS

The previously stated net position/fund balances have been restated as follows:

	<u>Governmental Activities</u>	<u>Governmental Funds</u>					<u>Internal Service Fund</u>
		<u>General</u>	<u>Street</u>	<u>Recreation Center</u>	<u>Parks</u>	<u>Airport</u>	
Net position/ fund balance, September 30, 2016, as pre- viously reported	\$79,299,529	3,328,439	2,412,576	2,873,801	116,780	(430,299)	361,573
Restatement for:							
Accounts receivable	339,767	-	-	-	-	339,767	
Accounts payable	<u>(154,707)</u>	<u>(40,909)</u>	<u>(24,332)</u>	<u>(19,457)</u>	<u>(3,512)</u>	<u>-</u>	<u>(66,497)</u>
Net position/ Fund Balance, September 30, As Restated	<u>\$79,484,589</u>	<u>3,287,530</u>	<u>2,388,244</u>	<u>2,854,344</u>	<u>113,268</u>	<u>(90,532)</u>	<u>295,076</u>

NOTE W - SUBSEQUENT EVENT

Management has evaluated subsequent events through October 25, 2018, 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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES				
Taxes:				
Property	\$ 1,009,000	1,009,000	952,642	(56,358)
Sales	4,284,000	4,284,000	4,053,348	(230,652)
Franchise	605,000	605,000	638,906	33,906
Motor vehicle	171,000	171,000	173,566	2,566
PILOT	1,538,600	1,538,600	1,460,472	(78,128)
Lodging	343,000	343,000	374,305	31,305
Cigarette	102,000	102,000	103,871	1,871
Total Taxes	<u>8,052,600</u>	<u>8,052,600</u>	<u>7,757,110</u>	<u>(295,490)</u>
Licenses and permits:				
Occupational licenses	47,000	47,000	53,395	6,395
Building permits	90,000	226,600	226,560	(40)
Other	49,500	49,500	47,908	(1,592)
Total Licenses And Permits	<u>186,500</u>	<u>323,100</u>	<u>327,863</u>	<u>4,763</u>
Intergovernmental:				
Landfill	7,000	7,000	6,278	(722)
RREC	129,270	129,270	130,412	1,142
PCESB	1,113,780	1,183,130	1,183,127	(3)
Library	235,432	235,432	205,845	(29,587)
Grants	30,000	81,000	36,531	(44,469)
Other	177,350	277,150	199,002	(78,148)
Total Intergovernmental	<u>1,692,832</u>	<u>1,912,982</u>	<u>1,761,195</u>	<u>(151,787)</u>
Charges for services	<u>54,500</u>	<u>54,500</u>	<u>54,349</u>	<u>(151)</u>
Fine and forfeitures:				
City court fines	215,000	215,000	141,397	(73,603)
Police training fees	5,400	5,400	4,081	(1,319)
Total Fines And Forfeitures	<u>220,400</u>	<u>220,400</u>	<u>145,478</u>	<u>(74,922)</u>
Investment income	<u>6,500</u>	<u>6,500</u>	<u>8,527</u>	<u>2,027</u>
Miscellaneous:				
Lease and rent income	8,000	8,000	7,930	(70)
Animal shelter	17,500	107,850	105,836	(2,014)
Other	29,250	29,250	55,120	25,870
Total Miscellaneous	<u>54,750</u>	<u>145,100</u>	<u>168,886</u>	<u>23,786</u>
Total Revenues	<u>10,268,082</u>	<u>10,715,182</u>	<u>10,223,408</u>	<u>(491,774)</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, 2017 (Continued)

	Original Budget	Final Budget	Actual	Over (Under) Budget
EXPENDITURES				
Administrative	611,026	653,126	669,657	16,531
Administrator	301,685	309,085	310,845	1,760
Finance	535,450	544,950	544,850	(100)
Legal services	62,825	62,825	61,082	(1,743)
City court	85,640	85,640	84,687	(953)
911 telecommunications	1,103,780	1,134,740	1,069,430	(65,310)
Animal shelter	166,780	166,780	170,104	3,324
Police	3,427,885	3,701,385	3,814,776	113,391
Fire	2,723,370	2,929,420	2,856,058	(73,362)
Building maintenance	80,720	80,720	97,936	17,216
Engineering	731,088	731,088	748,096	17,008
Community development	378,700	378,700	389,918	11,218
Library	227,432	227,432	198,361	(29,071)
Economic development	237,250	237,250	222,994	(14,256)
Total Expenditures	10,673,631	11,243,141	11,238,794	(4,347)
REVENUES UNDER EXPENDITURES	(405,549)	(527,959)	(1,015,386)	(487,427)
OTHER FINANCING SOURCES (USES)				
Capital lease	-	186,000	186,000	-
Transfers in	996,500	996,500	996,500	-
Transfers out	(158,270)	(158,270)	(158,270)	-
Total Other Financing Sources (Uses)	838,230	1,024,230	1,024,230	-
NET CHANGE IN FUND BALANCE	\$ 432,681	496,271	8,844	(487,427)
FUND BALANCE, OCTOBER 1			3,287,530	
FUND BALANCE, SEPTEMBER 30			\$ 3,296,374	

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, 2017

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Taxes	\$ 4,896,000	4,896,000	4,668,640	(227,360)
Intergovernmental	90,000	3,601,158	3,660,979	59,821
Charges for services	411,000	411,000	107,193	(303,807)
Investment income	5,000	5,000	8,982	3,982
Miscellaneous	6,500	6,500	17,196	10,696
Total Revenues	5,408,500	8,919,658	8,462,990	(456,668)
EXPENDITURES				
Street	5,004,900	8,875,758	8,206,068	(669,690)
REVENUES OVER EXPENDITURES				
	403,600	43,900	256,922	213,022
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	44,000	44,000	31,504	(12,496)
Transfers out	(437,400)	(437,400)	(437,400)	-
Total Other Financing Sources (Uses)	(393,400)	(393,400)	(405,896)	(12,496)
NET CHANGE IN FUND BALANCE				
	\$ 10,200	(349,500)	(148,974)	200,526
FUND BALANCE, OCTOBER 1			2,388,244	
FUND BALANCE, SEPTEMBER 30			\$ 2,239,270	

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, 2017

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Taxes	\$ 1,000	1,000	1,087	87
Charges for services	1,228,210	1,273,573	1,163,664	(109,909)
Investment income	14,000	14,000	14,591	591
Miscellaneous	16,200	16,200	24,524	8,324
Total Revenues	1,259,410	1,304,773	1,203,866	(100,907)
EXPENDITURES				
Guest services	193,256	193,256	161,197	(32,059)
Recreation	177,495	177,495	146,797	(30,698)
Aquatic	235,570	235,570	240,669	5,099
Fitness	260,579	291,079	255,771	(35,308)
Administration	341,334	364,834	363,231	(1,603)
Maintenance	266,350	266,350	295,112	28,762
Total Expenditures	1,474,584	1,528,584	1,462,777	(65,807)
REVENUES UNDER EXPENDITURES	(215,174)	(223,811)	(258,911)	(35,100)
OTHER FINANCING USES				
Transfers out	(71,300)	(71,300)	(71,300)	-
NET CHANGE IN FUND BALANCE	<u>\$ (286,474)</u>	<u>(295,111)</u>	<u>(330,211)</u>	<u>(35,100)</u>
FUND BALANCE, OCTOBER 1			2,854,344	
FUND BALANCE, SEPTEMBER 30			<u>\$ 2,524,133</u>	

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, 2017

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Taxes	\$ 1,323,200	1,323,200	1,237,127	(86,073)
Charges for services	232,700	266,200	256,239	(9,961)
Investment income	800	800	2,470	1,670
Miscellaneous	4,000	4,000	5,945	1,945
Total Revenues	1,560,700	1,594,200	1,501,781	(92,419)
EXPENDITURES				
Administration	119,763	119,763	130,779	11,016
Maintenance	55,715	55,715	53,647	(2,068)
Parks department	833,520	833,520	807,516	(26,004)
SplashZone	177,075	177,075	155,167	(21,908)
Outdoor recreation	155,550	155,550	163,398	7,848
Total Expenditures	1,341,623	1,341,623	1,310,507	(31,116)
REVENUES OVER EXPENDITURES	219,077	252,577	191,274	(61,303)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,500	1,500	1,437	(63)
Transfers out	(65,900)	(65,900)	(65,900)	-
Total Other Financing Sources (Uses)	(64,400)	(64,400)	(64,463)	(63)
NET CHANGE IN FUND BALANCE	\$ 154,677	188,177	126,811	(61,366)
FUND BALANCE, OCTOBER 1			113,268	
FUND BALANCE, SEPTEMBER 30			\$ 240,079	

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, 2017

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Intergovernmental	\$ 590,000	964,500	687,451	(277,049)
Charges for services	283,400	283,400	261,652	(21,748)
Investment income	5	5	29	24
Miscellaneous	200	200	507	307
Total Revenues	873,605	1,248,105	949,639	(298,466)
EXPENDITURES				
Airport	1,124,535	1,176,110	1,177,614	1,504
REVENUES OVER (UNDER) EXPEN- DITURES				
	(250,930)	71,995	(227,975)	(299,970)
OTHER FINANCING SOURCES				
Transfers in	158,270	158,270	158,270	-
NET CHANGE IN FUND BALANCE				
	\$ (92,660)	230,265	(69,705)	(299,970)
FUND BALANCE (DEFICIT), OCTOBER 1			(90,532)	
FUND BALANCE (DEFICIT), SEPTEMBER 30			\$ (160,237)	

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, 2017

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Charges for services	\$ 15,000	8,550	(6,450)
Investment income	1,500	1,541	41
Total Revenues	<u>16,500</u>	<u>10,091</u>	<u>(6,409)</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER EXPENDITURES	16,500	10,091	(6,409)
OTHER FINANCING USES			
Transfers out	<u>(1,500)</u>	<u>(1,437)</u>	<u>(63)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 15,000</u>	8,654	<u>(6,346)</u>
FUND BALANCE, OCTOBER 1		<u>335,996</u>	
FUND BALANCE, SEPTEMBER 30		<u>\$ 344,650</u>	

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, 2017

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Investment income	\$ 500	500	98	(402)
Miscellaneous	1,300	19,900	19,898	(2)
Total Revenues	1,800	20,400	19,996	(404)
EXPENDITURES				
	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ 1,800	20,400	19,996	(404)
FUND BALANCE, OCTOBER 1			74,100	
FUND BALANCE, SEPTEMBER 30			\$ 94,096	

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, 2017

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, except in the Recreation Fund, that other financing source and related capital outlay of capital leases in the year the City enters into the agreement are not budgeted. 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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service cost	\$ 863,543	840,889	846,914
Interest on the total pension liability	2,556,735	2,373,659	2,269,899
Difference between expected and actual experience	276,100	(563,660)	(460,292)
Changes of assumptions	-	1,209,382	-
Benefit payments, including refunds	<u>(1,400,838)</u>	<u>(1,293,477)</u>	<u>(1,153,761)</u>
Net Change In Total Pension Liability	2,295,540	2,566,793	1,502,760
Total Pension Liability Beginning	<u>35,529,249</u>	<u>32,962,456</u>	<u>31,459,696</u>
Total Pension Liability Ending (a)	<u>\$ 37,824,789</u>	<u>35,529,249</u>	<u>32,962,456</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 778,575	852,947	964,218
Net investment income	4,377,781	(96,081)	731,693
Benefit payments, including refunds	(1,400,838)	(1,293,477)	(1,153,761)
Administrative expense	(27,392)	(27,173)	(28,893)
Other changes	<u>(117,506)</u>	<u>96,067</u>	<u>380,572</u>
Net Change In Plan Fiduciary Net Pension	3,610,620	(467,717)	893,829
Plan Fiduciary Net Position Beginning	<u>37,074,759</u>	<u>37,542,476</u>	<u>36,648,647</u>
Plan Fiduciary Net Position Ending (b)	<u>\$ 40,685,379</u>	<u>37,074,759</u>	<u>37,542,476</u>
Net Pension Liability (Asset) Ending (a)-(b)	<u>\$ (2,860,590)</u>	<u>(1,545,510)</u>	<u>(4,580,020)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	107.56 %	104.35	113.89
Covered Employee Payroll (for February 28/29 Valuation)	\$ 7,600,104	7,072,467	7,079,117
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	(37.64) %	(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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined pension contribution	\$ 753,594	863,721	949,662	1,024,360	1,061,934	1,089,976	1,147,989	828,507	811,575	746,981
Contributions in relation to the actuarially determined contribution	<u>753,594</u>	<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>746,981</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>25,006</u>	<u>50,221</u>	<u>119,106</u>	<u>210,701</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Employee Payroll	\$ 7,624,380	7,554,556	7,087,603	7,199,254	7,214,862	7,304,173	7,569,220	7,297,628	7,346,226	6,638,779
Contributions as a Percentage of Covered Employee Payroll	9.88 %	11.43	13.40	13.88	14.02	13.29	12.38	11.35	11.05	11.25

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	A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.
Remaining amortization period	Multiple bases from 15 to 21 years
Asset valuation method	5 years smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.50% 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:

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service cost	\$ 282,768	279,195	277,593
Interest on the total pension liability	1,239,270	1,186,863	1,147,696
Difference between expected and actual experience	(93,049)	(432,027)	(118,542)
Changes of assumptions	-	449,770	-
Benefit payments, including refunds	(818,192)	(709,110)	(823,502)
Net Change In Total Pension Liability	<u>610,797</u>	<u>774,691</u>	<u>483,245</u>
Total Pension Liability Beginning	<u>17,356,409</u>	<u>16,581,718</u>	<u>16,098,473</u>
Total Pension Liability Ending (a)	<u>\$ 17,967,206</u>	<u>17,356,409</u>	<u>16,581,718</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 376,115	747,730	775,627
Net investment income	2,198,821	(19,957)	361,988
Benefit payments, including refunds	(818,192)	(709,110)	(823,502)
Administrative expense	(7,838)	(7,570)	(8,575)
Other changes	28,333	(332,935)	(362,570)
Net Change In Plan Fiduciary Net Pension	<u>1,777,239</u>	<u>(321,842)</u>	<u>(57,032)</u>
Plan Fiduciary Net Position Beginning	<u>17,969,920</u>	<u>18,291,762</u>	<u>18,348,794</u>
Plan Fiduciary Net Position Ending (b)	<u>\$ 19,747,159</u>	<u>17,969,920</u>	<u>18,291,762</u>
Net Pension Liability (Asset) (a)-(b)	<u>\$ (1,779,953)</u>	<u>(613,511)</u>	<u>(1,710,044)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	109.91 %	103.53	110.31
Covered Employee Payroll	\$ 2,547,770	2,355,439	2,326,138
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	(69.86) %	(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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined pension contribution	\$ 265,919	294,725	372,878	407,774	448,912	512,861	446,909	173,171	230,215	218,730
Contributions in relation to the actuarially determined contribution	<u>265,919</u>	<u>294,725</u>	<u>372,878</u>	<u>379,490</u>	<u>354,899</u>	<u>339,500</u>	<u>303,342</u>	<u>261,921</u>	<u>278,638</u>	<u>214,312</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>28,284</u>	<u>94,013</u>	<u>173,361</u>	<u>143,567</u>	<u>(88,750)</u>	<u>(48,423)</u>	<u>4,418</u>
Covered Employee Payroll	\$ 2,556,915	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
Contributions as a Percentage of Covered Employee Payroll	10.40 %	12.20	15.60	16.10	15.10	14.10	13.10	12.10	13.07	9.70

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	A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.
Remaining amortization period	Multiple bases from 14 to 21 years
Asset valuation method	5 years smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.50% 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:

There were no benefit changes during the year.