

# **CITY OF ROLLA, MISSOURI**

## **INDEPENDENT AUDITORS' REPORT**

For the Year Ended September 30, 2008

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# Evers & Company, CPA's, L.L.C.

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members  
of the City Council  
**City of Rolla, Missouri:**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Rolla, Missouri as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Rolla, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The financial statements of Rolla Municipal Utilities were not audited in accordance with Governmental Auditing Standards. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rolla, Missouri as of September 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2009, on our consideration of the City of Rolla, Missouri'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rolla, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of City of Rolla, Missouri. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Evers & Company, CPA's, LLC*

EVERS & COMPANY, CPA's, L.L.C.  
Jefferson City, Missouri

May 28, 2009

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For The Year Ended September 30, 2008

*(Unaudited)*

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The management's discussion and analysis of the City of Rolla's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2008. Please read it in conjunction with the City's financial statements.

***Financial Highlights***

- The net assets of the City's governmental activities increased by \$992,345 or 1.3% for the year as a result of current year activities. The net assets of the City's business activities increased by \$213,743 or 1.0% for the year.
- The assets of the City exceeded its liabilities as of September 30, 2008 by \$95.4 million (net assets).
- A \$7 million "no tax increase" bond was passed by voters in April 2004 and related projects were underway in fiscal year 2005. As of fiscal year 2008, all projects have been completed. Debt Service payments will continue to come from the capital improvement sales tax through 2019.
- Total estimated construction costs for fiscal year 2008 were \$38,479,995 compared to \$27,421,012 in fiscal year 2007. Overall, 136 new housing units were added in fiscal year 2008. Residential housing was adversely affected in the downtown in the national economy.
- The Street Department acquired three significant pieces of equipment in fiscal year 2008. In March 2008, the City purchased a Case Wheel Loader for \$103,137 (before trade-in) and two new International Tandem Dump Trucks for \$238,937. Lease financing was used on both purchases for a 5 year term at 4.425%.
- The Recreation Centre completed its sixth full year of operations in 2008, achieving an 83% recapture rate. SplashZone ended the year with 112% recapture. Overall, revenues for the Centre decreased by 3% while expenses increased by 4%. Revenues for SplashZone increased 2% while expenses increased 7%.

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2008  
*(Unaudited)*

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***Using This Annual Report***

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

***Government-Wide Financial Statements***

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

The government-wide financial statements include not only the City of Rolla itself (known as the primary government), but also legally separate Rolla Municipal Utilities. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

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

- **Governmental Activities** – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- **Business-Type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer and sanitation services are provided here.



**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2008  
*(Unaudited)*

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- Component Unit – The City has one component unit, which is Rolla Municipal Utilities whose activities are presented in the Government – Wide financial statements.

***Fund Financial Statements***

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

- Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The difference between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds are shown in reconciliation following the fund financial statement.
- Proprietary Funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Internal Service Fund is used to account for charges made to other units of government for health insurance premiums.

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2008  
*(Unaudited)*

***Notes to the Basic Financial Statements***

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

***Government-Wide Financial Analysis***

**NET ASSETS**

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

	Governmental Activities	Business-Type Activities	Total September 30, 2008	Governmental Activities	Business-Type Activities	Total September 30, 2007
Current and other assets	\$12,204,660	\$8,485,955	\$20,690,615	\$12,301,463	\$9,250,648	\$21,552,111
Capital assets	<u>83,704,085</u>	<u>24,737,720</u>	<u>108,441,805</u>	<u>84,388,111</u>	<u>23,852,435</u>	<u>108,240,546</u>
<b>TOTAL ASSETS</b>	<b>95,908,745</b>	<b>33,223,675</b>	<b>129,132,420</b>	<b>96,689,574</b>	<b>33,103,083</b>	<b>129,792,657</b>
Long-term liabilities outstanding	20,047,868	7,203,926	27,251,794	21,423,762	7,621,814	29,045,576
Other liabilities	<u>1,211,357</u>	<u>5,304,282</u>	<u>6,515,639</u>	<u>1,608,636</u>	<u>4,979,545</u>	<u>6,588,181</u>
<b>TOTAL LIABILITIES</b>	<b>21,259,225</b>	<b>12,508,208</b>	<b>33,767,433</b>	<b>23,032,398</b>	<b>12,601,359</b>	<b>35,633,757</b>
<b>Net Assets:</b>						
Invested in capital assets net						
of related debt	64,497,250	17,648,742	82,145,992	63,856,698	18,255,489	82,112,187
Restricted	9,116,470	91,117	9,207,587	8,432,470	7,214	8,439,684
Unrestricted	<u>1,035,800</u>	<u>2,975,608</u>	<u>4,011,408</u>	<u>1,368,008</u>	<u>2,239,021</u>	<u>3,607,029</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$74,649,520</u></b>	<b><u>\$20,715,467</u></b>	<b><u>\$95,364,987</u></b>	<b><u>\$73,657,176</u></b>	<b><u>\$20,501,724</u></b>	<b><u>\$94,158,900</u></b>

Total net assets of the City increased by \$1.2 million for the year due to current year activity. Capital assets for the governmental activities totaled \$83.7 million as of September 30, 2008. Of this amount, \$50.6 million represents infrastructure assets such as roads, sidewalks, and storm drainage systems net of accumulated depreciation.

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2008  
*(Unaudited)*

**CHANGE IN NET ASSETS**

	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities	Year Ended September 30, 2008	Activities	Activities	Year Ended September 30, 2007
<b>REVENUES</b>						
Program Revenues						
Charges for services	\$2,672,171	\$4,944,890	\$7,617,061	\$2,538,727	\$4,818,628	\$7,357,355
Operating grants						
and contributions	544,445	-	544,445	950,760	-	950,760
Capital grants						
and contributions	587,632	-	587,631	1,069,963	-	1,069,963
General Revenues						
Property taxes	1,031,145	-	1,031,145	977,585	-	977,585
Sales taxes	9,403,579	-	9,403,579	9,395,467	-	9,395,467
Other taxes	1,108,478	-	1,108,478	1,214,671	-	1,214,671
Franchise fees	2,743,358	-	2,743,359	2,064,789	-	2,064,789
Interest	304,554	244,590	549,144	359,220	287,397	646,617
Other revenue	600,313	(8,400)	591,913	1,752,649	274,952	2,027,601
<b>TOTAL REVENUES</b>	<b>18,995,675</b>	<b>5,181,080</b>	<b>24,176,755</b>	<b>20,323,831</b>	<b>5,380,977</b>	<b>25,704,808</b>
<b>EXPENSES</b>						
General government						
and other	5,553,092	-	5,553,092	5,012,676	-	5,012,676
Public safety	4,433,068	-	4,433,068	3,989,346	-	3,989,346
Highways and streets	4,225,326	-	4,225,326	2,627,402	-	2,627,402
Recreation Center	2,083,896	-	2,083,896	2,391,125	-	2,391,125
Park	844,504	-	844,504	867,922	-	867,922
Airport	524,637	-	524,637	422,856	-	422,856
Cemetery	4,269	-	4,269	3,724	-	3,724
Interest on long-term debt	831,816	-	831,816	820,226	-	820,226
Sewer	-	1,871,968	1,871,968	-	1,628,292	1,628,292
Sanitation	-	2,603,689	2,603,689	-	2,350,184	2,350,184
<b>TOTAL EXPENSES</b>	<b>18,500,608</b>	<b>4,475,657</b>	<b>22,976,265</b>	<b>16,135,277</b>	<b>3,978,476</b>	<b>20,113,753</b>
<b>INCREASE IN NET ASSETS</b>						
BEFORE TRANSFERS	495,067	705,423	1,200,490	4,188,554	1,402,501	5,591,055
TRANSFERS IN (OUT)	497,278	(491,680)	5,598	395,660	(395,660)	-
<b>INCREASE IN NET ASSETS</b>	<b>\$992,345</b>	<b>\$213,743</b>	<b>\$1,206,088</b>	<b>\$4,584,214</b>	<b>\$1,006,841</b>	<b>\$5,591,055</b>

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2008  
*(Unaudited)*

***Governmental Activities***

Governmental activities increased the net assets of the City by \$992,345. Tax revenues for the City were \$11.6 million. Program revenues for the functions totaled \$3.8 million. The following table shows the cost of the City's programs as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

**NET COST OF THE CITY OF ROLLA'S GOVERNMENTAL ACTIVITIES**

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government and other	\$ 6,384,908	\$ 5,180,896	\$ 5,832,902	\$ 4,491,241
Public safety	4,433,068	4,309,835	3,989,346	3,856,924
Highways and streets	4,225,326	3,783,443	2,627,402	1,946,878
Recreation Center	2,083,896	739,040	2,391,125	1,037,866
Park	844,504	721,083	867,922	733,901
Airport	524,637	(42,206)	422,856	(494,706)
Cemetery	4,269	4,269	3,724	3,724
	<u>\$ 18,500,608</u>	<u>\$ 14,696,360</u>	<u>\$ 16,135,277</u>	<u>\$ 11,575,828</u>

***Business-Type Activities***

Business-type activities increased the City's net assets by \$213,743. In the Sewer Fund, there was a decrease in reported water usage. While sewer rates were increased in FY 08, the increase was enough to sustain revenues with marginal growth. Revenues for the Solid Waste Fund, increased due to the consistent residential and commercial construction activity within the City, as well as solid market for recyclables. In addition, there was an increase in revenues for in-house maintenance services. Sewer and Solid Waste expenditures are continuing to remain constant.

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2008  
*(Unaudited)*

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***Financial Analysis of the City's Funds***

The combined fund balances of the City's governmental funds as of September 30, 2008 were \$10.9 million. The General Fund increased by \$286,941. The Street Fund decreased by \$(287,710). The Recreation Center Fund increased by \$162,802.

The General Fund budgeted an operating surplus in fiscal year 2008 to rebuild reserves. Excess revenues over expenditures for fiscal year 2008 were \$286,941. Total tax revenues collected by the General Fund had an increase of \$638,215. This large increase can be contributed to the cell phone franchise settlements of \$542,962. After a 1.36% increase in fiscal year 2007, sales tax receipts declined by -1.78% in 2008. The General Fund receives approximately 50% of its revenues from sales tax.

City council established a goal of a General Fund Reserve Balance equal to 25% of the annual General Fund operating expenditures (\$2.14 million). The fund balance in the General Fund was \$2,168,875 at fiscal year end, or 22% at fiscal year end.

From 2002 through September 30, 2008, the Fire Department received approval for a total of \$1,209,000 in Weapons of Mass Destruction Grants through the Homeland Security Department. Although the previous grants were awarded and expended within the year of award, the balance remaining in grant funds is estimated to be \$126,000 and will be expended in fiscal year 2009.

Revenues were budgeted to exceed expenditures by \$242,031 in the Street Fund in 2008 but ended with a decline of \$287,710 with expenditure exceeding revenues. The Street Fund receives two ½ cent sales taxes, the Transportation Sales Tax and the Capital Improvement Sales Tax. The sales tax decrease totaled \$66,666 or -1.78% in fiscal year 2008.

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For The Year Ended September 30, 2008

*(Unaudited)*

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The Recreation Centre tax revenue had a decline of \$33,732, or -1.80%. Total operating revenues equaled \$3,466,197 and total operating expenditures at the Recreation Centre equaled \$3,155,388. Fiscal year 2008 was the sixth full year of operations for the Recreation Centre. While management continues to strive to achieve the 100% recapture goal established by City Council the operating recapture rate for the Centre was 83%.

The Recreation Centre Fund includes SplashZone, the outdoor swimming pool complex. SplashZone achieved a 112% recapture rate in fiscal year 2008.

***General Fund Budgetary Highlights***

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

- The original revenue budget of \$9,273,766 was increased to \$9,306,426.
- The total original expenditures budget of \$9,193,214 was increased to \$9,458,840.

Mid-year budget adjustments were presented and approved by City Council at the April 21, 2008 meeting. Overall budget adjustments increased revenues \$101,561 and increased expenditures \$342,415 resulting in a net negative impact to the budget of \$240,854.

Year end budget adjustments were presented and approved by City Council at the March 16, 2009 meeting. The year end budget adjustments were done to comply with Chapter 67, RSMo. The overall year end budget adjustments have no impact on revenues and increased expenditures \$544,000 resulting in a net negative impact to the budget of \$544,000.

***Capital Asset and Debt Administration***

**Capital Assets**

Capital assets of the government activities were \$83.7 million (net of accumulated depreciation) as of September 30, 2008. This represents a \$684,026 million decrease from the prior year due primarily to a change in construction in progress (airport, street improvements, etc.) made in the current year. Net capital assets for business-type activities were \$24.7 million as of September 30, 2008. This represents an increase of \$885,285 million from the prior year.

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2008  
*(Unaudited)*

**Capital Assets**  
**Net of Accumulated Depreciation for**

	Governmental		Business-type		Totals	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
<b>Non-Depreciable Assets:</b>						
Land	\$ 12,017,524	\$11,821,516	\$ 949,910	\$ 949,910	\$ 12,967,434	\$ 12,771,426
Construction in Progress	413,319	1,711,298	-	2,095,425	413,319	3,806,723
<b>Depreciable Assets:</b>						
Buildings and improvements	16,797,092	16,962,962	284,510	266,435	17,081,602	17,229,397
Infrastructure	50,679,569	50,592,737	21,922,886	18,833,798	72,602,455	69,426,535
Machinery and equipment	3,796,581	3,299,598	1,580,414	1,706,866	5,376,995	5,006,464
<b>Total</b>	<b>\$ 83,704,085</b>	<b>\$84,388,111</b>	<b>\$24,737,720</b>	<b>\$23,852,434</b>	<b>\$108,441,805</b>	<b>\$ 108,240,545</b>

**Debt**

Total debt of the governmental activities as of September 30, 2008 was \$19.2 million, which is down from \$20.7 million the prior year.

Total debt of the business-type activities as of September 30, 2008 was \$7.1 million, which is down from \$7.5 million the prior year.

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2008  
*(Unaudited)*

**Outstanding Debt Obligations**

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 15,495,205	\$ 16,862,350	\$ -	\$ -	\$ 15,495,205	\$ 16,862,350
Loans	106,554	135,106	-	-	106,554	135,106
Revenue bonds	-	-	6,969,275	7,314,012	6,969,275	7,314,012
Capital leases	3,605,076	3,661,476	119,702	201,977	3,724,778	3,863,453
<b>Total</b>	<b>\$ 19,206,835</b>	<b>\$ 20,658,932</b>	<b>\$ 7,088,977</b>	<b>\$ 7,515,989</b>	<b>\$ 26,295,812</b>	<b>\$ 28,174,921</b>

***Economic Factors and Next Years Budget***

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

Economic Development – In fiscal year 2004, City Council entered into a five-year contract for service with Rolla Regional Economic Commission (RREC) for Economic Development Support. For fiscal year 2009, \$115,000 has again been allocated for these services. In addition the City is working on the development of new commercial areas and opportunities including “Rolla West” and the Highway 72 extension and have completed approximately 90% of the budgeted \$100,000 for due diligence studies in 2008 (The City has entered into a partnership with MS&T, Phelps County, St. John’s, RREC and PCRMC to share in the cost of the project).

Sales tax revenues decreased 1.78% in fiscal year 2008. Staff will continue to monitor the situation closely, but anticipates sales tax growth of 1% in fiscal year 2009. Rolla has a solid economic base with a low unemployment rate, solid construction trends and sustained growth at MS&T and Fort Leonard Wood. The loss of Briggs & Stratton will certainly impact the local economy but new projects such as Walgreens, Kia Dealership, St. John’s Medical facility, GE Aviation and the MS&T Technology Park certainly pose significant strengths and opportunities.



**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2008  
*(Unaudited)*

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The City self-funded health insurance program ended calendar year 2008 with an employee contribution rate of 32.13%. This percentage is made up of premiums withheld from payroll, co-payments and deductibles paid by employees. Note: the employee contribution calculated from the internal service fund reported on page 19 of the audit does not include the co-payments and deductibles paid by employees.

Planning for a new consolidated public services facility is underway. Property has been acquired behind the existing Recycling Center and a master plan is under development. The plan for this facility is to house the departments of solid waste, vehicle maintenance, park maintenance, street and animal control.

Although the project is in the preliminary stage, MODOT has endorsed the Highway 72 extension subject to financing. A Retail Market Study Report by Development Strategies completed in August 2007 suggested significant opportunity in retail growth in the region.

***Request for Information***

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

Rolla Municipal Utilities issues a complete set of financial statements that are more detailed than the data presented herein. Copies of the separately issued Utility statements can be obtained by contacting the Utility at 102 W. 9<sup>th</sup> Street, P.O. Box 767, Rolla, MO 65402.

# **BASIC FINANCIAL STATEMENTS**

CITY OF ROLLA  
ROLLA, MISSOURI

STATEMENT OF NET ASSETS  
September 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rolla Municipal Utilities
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,085,323.68	\$ 1,465,686.24	\$ 2,551,009.92	\$ 11,056,323.00
Certificates of deposit	2,629,000.00	1,100,000.00	3,729,000.00	-
Investments	-	-	-	600,000.00
Receivables (net of allowance for uncollectibles)	1,951,767.42	95,208.88	2,046,976.30	1,367,657.00
Due from component unit	371,941.00	346,914.00	718,855.00	-
Due from primary government	-	-	-	106,543.00
Due from other governments	-	-	-	3,039.00
Interest receivable	56,600.08	72,102.83	128,702.91	19,057.00
Prepaid expenses	414,593.37	78,637.38	493,230.75	150,798.00
Inventories	60,593.36	-	60,593.36	977,808.00
Restricted Assets:				
Cash and cash equivalents	425,210.09	28,319.60	453,529.69	-
Certificates of deposit	200,000.00	-	200,000.00	-
Investments	4,896,041.00	5,138,748.85	10,034,789.85	-
Accounts receivable	-	42,206.77	42,206.77	-
Deferred charges	113,590.60	118,130.43	231,721.03	-
Capital Assets:				
Construction in progress	413,318.87	-	413,318.87	-
Land	12,017,524.14	949,909.62	12,967,433.76	833,692.00
Property, plant and equipment, net	71,273,241.81	23,787,810.02	95,061,051.83	25,995,823.00
Total Assets	<u>95,908,745.42</u>	<u>33,223,674.62</u>	<u>129,132,420.04</u>	<u>41,110,740.00</u>
<b>LIABILITIES</b>				
Accounts payable	661,426.77	170,939.11	832,365.88	1,157,001.00
Deposits payable	-	-	-	1,144,475.00
Accrued expenses	-	-	-	5,589.00
Payroll taxes payable	87,439.48	15,479.55	102,919.03	-
Accrued wages payable	128,959.59	26,542.16	155,501.75	27,193.00
Retainage payable	8,435.08	-	8,435.08	-
Deferred revenue	84,104.68	-	84,104.68	-
Due to component unit	91,173.36	15,369.64	106,543.00	-
Due to other governments	10,928.98	-	10,928.98	-
Due to primary government	-	-	-	718,855.00
Accrued interest payable	88,331.96	-	88,331.96	45,999.00
Refundable permits	48,300.00	-	48,300.00	-
Payable from restricted assets:				
Court bonds payable	2,257.00	-	2,257.00	-
Accrued interest payable	-	89,196.22	89,196.22	-
Payable to other governments	-	4,986,755.02	4,986,755.02	-
Noncurrent liabilities:				
Due within one year:				
Notes payable	29,847.40	-	29,847.40	-
Capital leases payable	335,339.78	52,082.24	387,422.02	840,000.00
Bonds payable	6,310,000.00	360,000.00	6,670,000.00	-
Due in more than one year:				
Compensated absences	841,033.04	114,948.29	955,981.33	143,977.00
Notes payable	76,706.55	-	76,706.55	-
Capital leases payable	3,269,736.30	67,620.51	3,337,356.81	2,540,000.00
Bonds payable, net of issuance premium	9,185,204.89	6,609,274.61	15,794,479.50	-
Total Liabilities	<u>21,259,224.86</u>	<u>12,508,207.35</u>	<u>33,767,432.21</u>	<u>6,623,089.00</u>

See accompanying notes to the financial statements.

CITY OF ROLLA  
ROLLA, MISSOURI

STATEMENT OF NET ASSETS  
September 30, 2008

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		Rolla Municipal Utilities
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	64,497,249.90	17,648,742.28	82,145,992.18	23,449,514.00
Restricted for:				
Debt service	4,898,025.91	91,117.21	4,989,143.12	-
Depreciation and replacement	420,087.83	-	420,087.83	-
Street	446,461.75	-	446,461.75	-
Recreation Centre	2,942,866.51	-	2,942,866.51	-
Park	2,670.84	-	2,670.84	-
Airport	36,990.40	-	36,990.40	-
Cemetery	232,001.58	-	232,001.58	-
Park Land Reserve	137,365.42	-	137,365.42	-
Unrestricted	1,035,800.42	2,975,607.78	4,011,408.20	11,038,137.00
Total Net Assets	<u>\$ 74,649,520.56</u>	<u>\$ 20,715,467.27</u>	<u>\$ 95,364,987.83</u>	<u>\$ 34,487,651.00</u>

See accompanying notes to the financial statements.

CITY OF ROLLA  
ROLLA, MISSOURI  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Unit		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Primary Government Business-type Activities	Total
<b>Primary Government:</b>								
<b>Governmental activities:</b>								
General government	\$ 5,553,091.70	\$ 610,547.94	\$ 440,682.27	\$ 152,781.55	\$ (4,349,079.94)	\$ -	\$ (4,349,079.94)	\$ -
Public safety	4,433,067.64	123,232.74	-	-	(4,309,834.90)	-	(4,309,834.90)	-
Highways and streets	4,225,326.50	194,971.22	47,612.04	199,300.38	(3,783,442.86)	-	(3,783,442.86)	-
Airport	524,637.21	331,834.54	1,336.27	233,671.77	42,205.37	-	42,205.37	-
Cemetery	4,268.62	-	-	-	(4,268.62)	-	(4,268.62)	-
Recreation	2,083,896.31	1,295,932.94	48,923.22	-	(739,040.15)	-	(739,040.15)	-
Park	844,503.54	115,651.64	5,891.27	1,877.89	(721,082.74)	-	(721,082.74)	-
Interest on long-term debt	831,816.22	-	-	-	(831,816.22)	-	(831,816.22)	-
<b>Total governmental activities</b>	<b>18,500,607.74</b>	<b>2,672,171.02</b>	<b>544,445.07</b>	<b>587,631.59</b>	<b>(14,696,360.06)</b>	<b>-</b>	<b>(14,696,360.06)</b>	<b>-</b>
<b>Business-type activities:</b>								
Sanitation	2,603,689.42	3,129,949.60	-	-	526,260.18	-	526,260.18	-
Sewer	1,871,968.25	1,814,940.90	-	-	(57,027.35)	-	(57,027.35)	-
<b>Total business-type activities</b>	<b>4,475,657.67</b>	<b>4,944,890.50</b>	<b>-</b>	<b>-</b>	<b>469,232.83</b>	<b>-</b>	<b>469,232.83</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 22,976,265.41</b>	<b>\$ 7,617,061.52</b>	<b>\$ 544,445.07</b>	<b>\$ 587,631.59</b>	<b>(14,696,360.06)</b>	<b>\$ -</b>	<b>(14,227,127.23)</b>	<b>-</b>
<b>Component unit:</b>								
Rolla Municipal Utilities	\$ 27,976,332.00	\$ 30,526,427.00	\$ 82,194.00	\$ -	-	-	-	2,632,289.00
<b>General Revenues:</b>								
Real estate taxes					1,031,144.96	-	1,031,144.96	-
Financial institution taxes					2,814.57	-	2,814.57	-
Franchise taxes					2,743,358.53	-	2,743,358.53	-
Railroad/utility taxes					9,973.55	-	9,973.55	-
Sales taxes					9,403,578.89	-	9,403,578.89	-
Gasoline taxes					466,286.92	-	466,286.92	-
Lodging taxes					256,921.56	-	256,921.56	-
Motor vehicle taxes					169,141.08	-	169,141.08	-
Pilot taxes					44,511.19	-	44,511.19	-
Cigarette taxes					138,004.10	-	138,004.10	-
Alcohol taxes					20,825.00	-	20,825.00	-
Capital contributions from developers					6,900.00	6,900.00	6,900.00	166,395.00
Gain/(loss) on sale of capital assets					(15,332.87)	(15,332.87)	(15,332.87)	15,000.00
Miscellaneous revenues					503,613.13	32.86	503,645.99	126,928.00
Unrestricted investment earnings					304,554.10	244,589.90	549,144.00	277,306.00
Transfers					497,277.84	(491,679.84)	5,598.00	(5,598.00)
Total general revenues and transfers					15,688,704.87	(255,489.95)	15,433,214.92	580,035.00
Change in net assets					992,344.81	213,742.88	1,206,087.69	3,212,324.00
Net assets - beginning					73,657,175.75	20,501,724.39	94,158,900.14	31,275,327.00
Net assets - ending					\$ 74,649,520.56	\$ 20,715,467.27	\$ 95,364,987.83	\$ 34,487,651.00

See accompanying notes to the financial statements.

CITY OF ROLLA  
 ROLLA, MISSOURI  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2008

	Special Revenue							Total
	General	Street	Recreation Centre	Park	Airport	Cemetery	Park Land Reserve	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 642,247.65	\$ 30,467.20	\$ 245,233.78	\$ -	\$ 200.00	\$ 29,679.83	\$ 137,495.22	\$ 1,085,323.68
Certificates of deposit	629,000.00	-	2,000,000.00	-	-	-	-	2,629,000.00
Receivables, net								
Accounts receivable	82,376.92	95,799.33	-	-	9,212.18	-	-	187,388.43
Taxes receivable	700,132.77	553,152.14	276,575.89	6,453.82	-	-	-	1,536,316.62
Interest receivable	10,789.29	-	43,489.04	-	-	2,321.75	-	56,600.08
Grants receivable	119,567.86	23,562.40	-	1,877.89	43,078.13	-	-	188,086.28
Prepaid expenses	287,134.89	44,761.98	50,172.30	27,065.71	5,458.49	-	-	414,593.37
Inventory	-	-	-	-	60,593.36	-	-	60,593.36
Due from component unit	371,941.00	-	-	-	-	-	-	371,941.00
Restricted assets:								
Cash and cash equivalents	3,137.35	-	422,072.74	-	-	-	-	425,210.09
Certificates of deposit	-	-	-	-	-	200,000.00	-	200,000.00
Investments	-	-	4,896,041.00	-	-	-	-	4,896,041.00
Accounts receivable	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>2,846,327.73</b>	<b>747,743.05</b>	<b>7,933,584.75</b>	<b>35,399.42</b>	<b>118,542.16</b>	<b>232,001.58</b>	<b>137,495.22</b>	<b>12,051,093.91</b>
<b>LIABILITIES &amp; FUND BALANCE</b>								
LIABILITIES:								
Accounts payable	198,553.32	273,882.69	50,849.06	11,485.49	57,972.84	-	129.80	592,873.20
Payroll taxes payable	67,081.62	7,974.77	4,704.96	6,725.89	952.24	-	-	87,439.48
Accrued wages payable	90,073.91	12,490.69	16,079.61	8,535.83	1,779.55	-	-	128,959.59
Retainage payable	8,435.08	-	-	-	-	-	-	8,435.08
Due to component unit	69,617.78	873.68	19,037.77	1,644.13	-	-	-	91,173.36
Due to other governments	10,928.98	-	-	-	-	-	-	10,928.98
Deferred revenue	182,205.45	6,059.47	-	6,358.17	20,847.13	-	-	215,470.22
Refundable permits	48,300.00	-	-	-	-	-	-	48,300.00
Payable from restricted assets:								
Court bonds payable	2,257.00	-	-	-	-	-	-	2,257.00
Total Liabilities	677,453.14	301,281.30	92,692.33	32,728.58	81,551.76	-	129.80	1,185,836.91
<b>FUND BALANCES:</b>								
Reserved for:								
Inventory	-	-	-	-	60,593.36	-	-	60,593.36
Prepaid expenses	287,134.89	44,761.98	50,172.30	27,065.71	5,458.49	-	-	414,593.37
Risk management	-	4,815.58	240.42	-	-	-	-	5,056.00
Health insurance	-	10,355.80	583.00	-	-	-	-	11,274.30
Restricted for:								
Debt service	-	-	4,898,025.91	-	-	-	-	4,898,025.91
Depreciation and replacement	-	-	420,087.83	-	-	-	-	420,087.83
Cemetery	-	-	-	-	-	200,000.00	-	200,000.00
Designated for:								
Employees	880.35	-	-	-	-	-	-	880.35
Capital improvements	-	182,033.01	-	-	16,636.13	-	-	198,669.14
Undesignated, (deficit)	1,814,284.20	204,495.38	2,471,780.96	(24,394.87)	(45,697.58)	32,001.58	137,365.42	4,589,833.09
Total Fund Balances (deficit)	2,168,874.59	446,461.75	7,840,892.42	2,670.84	36,990.40	232,001.58	137,365.42	10,865,257.00
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>2,846,327.73</b>	<b>747,743.05</b>	<b>7,933,584.75</b>	<b>35,399.42</b>	<b>118,542.16</b>	<b>232,001.58</b>	<b>137,495.22</b>	<b>12,051,093.91</b>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Receivables not collected within sixty days of the year end are not current financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Internal service fund is used by management to charge the costs of certain activities to individual funds. The liabilities of the internal service fund are included in the governmental activities in the statement of net assets.

Net assets of governmental activities

See accompanying notes to the financial statements.

83,704,084.82

171,341.63

(20,022,609.32)

(68,553.57)

\$ 74,649,520.56

CITY OF ROLLA  
ROLLA, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue							Total
	General	Street	Recreation Centre	Park	Airport	Cemetery	Park Land Reserve	
<b>REVENUES:</b>								
Taxes and franchise fees	\$ 7,886,335.91	\$ 4,302,298.54	\$ 1,882,386.98	\$ 205,698.31	\$ -	\$ -	\$ -	\$ 14,276,719.74
Licenses, permits & fees	165,456.42	-	-	109,974.14	-	-	-	275,430.56
Intergovernmental	527,762.95	527,622.62	48,923.22	7,769.16	385,020.27	-	-	1,497,098.22
Fuel sales	-	-	-	-	276,750.54	-	-	276,750.54
Fines and forfeits	128,881.39	-	-	-	-	-	-	128,881.39
Rent income	8,580.00	-	-	1,600.00	55,084.00	-	-	65,264.00
Charges for services	429,280.32	194,971.22	1,295,932.94	4,077.50	-	-	-	1,924,261.98
Interest	37,935.06	7,173.97	238,953.47	983.80	5.97	6,868.81	487.98	292,409.06
Miscellaneous	59,400.56	9,295.00	-	-	-	9,525.00	-	78,220.56
Total Revenues	9,243,632.61	5,041,361.35	3,466,196.61	330,102.91	716,860.78	16,393.81	487.98	18,815,036.05
<b>EXPENDITURES:</b>								
General government	4,549,341.06	-	-	-	-	-	-	4,549,341.06
Public safety	4,851,589.51	-	-	-	-	-	-	4,851,589.51
Highways and streets	-	5,254,398.75	-	-	-	-	-	5,254,398.75
Recreation	-	-	3,155,387.54	-	-	-	-	3,155,387.54
Airport	-	-	-	-	566,530.52	-	-	566,530.52
Cemetery	-	-	-	-	-	-	-	-
Park	-	-	-	753,819.46	-	-	4,104.65	757,924.11
Total Expenditures	9,400,930.57	5,254,398.75	3,155,387.54	753,819.46	566,530.52	-	4,104.65	19,135,171.49
Excess (Deficiency) of Revenues	(157,297.96)	(213,037.40)	310,809.07	(423,716.55)	150,330.26	16,393.81	(3,616.67)	(320,135.44)
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	952,634.00	-	-	421,664.72	158,232.64	-	-	1,532,531.36
Operating transfers out	(508,395.52)	(373,400.00)	(148,007.31)	(10,761.84)	-	(15,732.69)	-	(1,056,297.36)
Proceeds from sale of fixed assets	-	151.50	-	-	26.24	-	96,000.00	96,177.74
Proceeds from debt	-	298,576.36	-	-	-	-	-	298,576.36
Total Other Financing Sources (Uses)	444,238.48	(74,672.14)	(148,007.31)	410,902.88	158,258.88	(15,732.69)	96,000.00	870,988.10
Excess (deficiency) of Revenue and Other Sources Over Expenditures and Other Uses	286,940.52	(287,709.54)	162,801.76	(12,813.67)	308,589.14	661.12	92,383.33	550,852.66
Fund Balance (deficit) - beginning of year	1,881,934.07	734,171.29	7,678,090.66	15,484.51	(271,598.74)	231,340.46	44,982.09	10,314,404.34
Fund Balance (deficit) - end of year	\$ 2,168,874.59	\$ 446,461.75	\$ 7,840,892.42	\$ 2,670.84	\$ 36,990.40	\$ 232,001.58	\$ 137,365.42	\$ 10,865,257.00

See accompanying notes to the financial statements.

CITY OF ROLLA  
ROLLA, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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

Net change in fund balances - total governmental funds	\$ 550,852.66
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(732,314.10)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	521.71
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(429,163.96)
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 governmental funds. These activities consist of compensated absences.	(76,203.00)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,465,358.55
Internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.	213,292.95
Change in net assets of governmental activities	<u>\$ 992,344.81</u>

See accompanying notes to the financial statements.



CITY OF ROLLA  
ROLLA, MISSOURI

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2008

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Sanitation	Sewer	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,142,074.67	\$ 323,611.57	\$ 1,465,686.24	\$ -
Certificates of Deposit	1,100,000.00	-	1,100,000.00	-
Accounts Receivable, net	92,841.95	2,366.93	95,208.88	39,976.09
Interest Receivable	6,920.51	65,182.32	72,102.83	-
Prepaid expenses	52,463.76	26,173.62	78,637.38	-
Due from component unit	164,206.00	182,708.00	346,914.00	-
Total Current Assets	2,558,506.89	600,042.44	3,158,549.33	39,976.09
Noncurrent assets:				
Restricted cash and cash equivalents:				
Cash and Cash Equivalents	-	28,319.60	28,319.60	-
Investments	-	5,138,748.85	5,138,748.85	-
Total restricted assets	-	5,167,068.45	5,167,068.45	-
Accounts receivable	-	42,206.77	42,206.77	-
Deferred Charges	-	118,130.43	118,130.43	-
Capital assets:				
Land	670,663.32	279,246.30	949,909.62	-
Property, plant and equipment	3,677,029.72	31,108,682.08	34,785,711.80	-
Less accumulated depreciation	(2,406,347.51)	(8,591,554.27)	(10,997,901.78)	-
Total capital assets (net of accumulated depreciation)	1,941,345.53	22,796,374.11	24,737,719.64	-
Total noncurrent assets	1,941,345.53	28,123,779.76	30,065,125.29	-
TOTAL ASSETS	4,499,852.42	28,723,822.20	33,223,674.62	39,976.09
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	124,411.99	46,527.12	170,939.11	68,553.57
Due to component unit	1,508.67	13,860.97	15,369.64	-
Payroll taxes payable	10,427.24	5,052.31	15,479.55	-
Accrued wages payable	18,310.40	8,231.76	26,542.16	-
Total current liabilities	154,658.30	73,672.16	228,330.46	68,553.57
Payable from restricted assets:				
Payable to other governments	-	4,986,755.02	4,986,755.02	-
Accrued interest	-	89,196.22	89,196.22	-
Bonds payable	-	360,000.00	360,000.00	-
Capital leases payable	-	52,082.24	52,082.24	-
Noncurrent liabilities:				
Compensated absences	86,008.77	28,939.52	114,948.29	-
Bonds payable	-	6,609,274.61	6,609,274.61	-
Capital leases payable	-	67,620.51	67,620.51	-
Total liabilities	240,667.07	12,267,540.28	12,508,207.35	68,553.57
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,941,345.53	15,707,396.75	17,648,742.28	-
Restricted for debt service	-	91,117.21	91,117.21	-
Unrestricted (deficit)	2,317,839.82	657,767.96	2,975,607.78	(28,577.48)
Total net assets	4,259,185.35	16,456,281.92	20,715,467.27	(28,577.48)
TOTAL LIABILITIES AND NET ASSETS	\$ 4,499,852.42	\$ 28,723,822.20	\$ 33,223,674.62	\$ 39,976.09

See accompanying notes to the financial statements.

CITY OF ROLLA  
 ROLLA, MISSOURI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Sanitation	Sewer	Total	Internal Service Fund
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 3,129,949.60	\$ -	\$ 3,129,949.60	\$ -
Charges for services pledged as security for revenue bonds:				
Sewer	-	1,814,940.90	1,814,940.90	-
Charges to other departments	-	-	-	1,125,217.56
Contributions - employees	-	-	-	522,001.97
Total operating revenues	<u>3,129,949.60</u>	<u>1,814,940.90</u>	<u>4,944,890.50</u>	<u>1,647,219.53</u>
<b>OPERATING EXPENSES:</b>				
Cost of Services	259,107.38	393,818.53	652,925.91	-
Personnel services	1,094,242.96	460,001.94	1,554,244.90	-
Insurance claims and expenses	-	-	-	1,433,926.58
Materials and Supplies	323,663.93	166,715.98	490,379.91	-
Contractual and Other Services	715,166.73	39,869.78	755,036.51	-
Depreciation and Amortization	211,508.42	516,184.45	727,692.87	-
Total operating expenses	<u>2,603,689.42</u>	<u>1,576,590.68</u>	<u>4,180,280.10</u>	<u>1,433,926.58</u>
Operating income	526,260.18	238,350.22	764,610.40	213,292.95
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	74,473.06	170,116.84	244,589.90	-
Other revenue	-	32.86	32.86	-
Interest expense and fiscal charges	-	(295,377.57)	(295,377.57)	-
Gain (loss) on sale of capital assets	(1,293.87)	(14,039.00)	(15,332.87)	-
Total nonoperating revenues (expenses)	<u>73,179.19</u>	<u>(139,266.87)</u>	<u>(66,087.68)</u>	<u>-</u>
Income before contributions and transfers	599,439.37	99,083.35	698,522.72	213,292.95
Capital contributions	6,900.00	-	6,900.00	-
Operating transfers out	(272,234.00)	(219,445.84)	(491,679.84)	-
Change in net assets	334,105.37	(120,362.49)	213,742.88	213,292.95
Total net assets (deficit) - beginning	3,925,079.98	16,576,644.41	20,501,724.39	(241,870.43)
Total net assets (deficit) - ending	<u>\$ 4,259,185.35</u>	<u>\$ 16,456,281.92</u>	<u>\$ 20,715,467.27</u>	<u>\$ (28,577.48)</u>

See accompanying notes to the financial statements.

CITY OF ROLLA  
ROLLA, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Sanitation	Sewer	Total	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>				
Receipts from customers and users	\$ 3,121,251.53	\$ 1,871,178.16	\$ 4,992,429.69	\$ 1,614,253.27
Payments to suppliers	(1,263,148.89)	(1,325,655.07)	(2,588,803.96)	(1,614,253.27)
Payments to employees	(1,078,929.63)	(474,720.58)	(1,553,650.21)	-
Net Cash Provided (Used) by Operating Activities	779,173.01	70,802.51	849,975.52	-
<u>Cash Flows from Noncapital Financing Activities:</u>				
Other revenue	-	32.86	32.86	-
Operating transfers to other funds	(272,234.00)	(204,000.00)	(476,234.00)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(272,234.00)	(203,967.14)	(476,201.14)	-
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Capital Assets	(240,494.76)	(1,428,682.08)	(1,669,176.84)	-
DNR deposits into escrow fund	-	1,036,430.41	1,036,430.41	-
Principal repayments	-	(340,000.00)	(340,000.00)	-
Lease Payments	-	(49,954.53)	(49,954.53)	-
Interest Paid and Fiscal Charges	-	(292,997.88)	(292,997.88)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(240,494.76)	(1,075,204.08)	(1,315,698.84)	-
<u>Cash Flows from Investing Activities:</u>				
Receipts of interest	74,600.93	168,759.42	243,360.35	-
Proceeds from investments	-	763,757.04	763,757.04	-
Proceeds from certificates of deposit	1,300,000.00	-	1,300,000.00	-
Purchase of certificates of deposits	(1,100,000.00)	-	(1,100,000.00)	-
Net Cash Provided (Used) by Investing Activities	274,600.93	932,516.46	1,207,117.39	-
Net Increase (Decrease) in Cash and Cash Equivalents	541,045.18	(275,852.25)	265,192.93	-
Cash & Cash Equivalents at Beginning of Year	601,029.49	627,783.42	1,228,812.91	-
Cash & Cash Equivalents at End of Year	\$ 1,142,074.67	\$ 351,931.17	\$ 1,494,005.84	\$ -
<u>Non-Cash Investing, Capital, and Financing Activities:</u>				
Capital assets contributed by developers	\$ 6,900.00	\$ -	\$ 6,900.00	\$ -
Net capital asset transferred to governmental fund	-	15,445.84	15,445.84	-

CITY OF ROLLA  
 ROLLA, MISSOURI  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Sanitation	Sewer	Total	Internal Service Fund
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating Income (Loss)	\$ 526,260.18	\$ 238,350.22	\$ 764,610.40	\$ 213,292.95
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	211,508.42	516,184.45	727,692.87	-
(Increase) Decrease in:				
Accounts receivable-net	(7,107.92)	56,237.26	49,129.34	(32,966.26)
Prepaid expenses	3,156.93	2,095.91	5,252.84	-
Increase (Decrease) in:				
Accounts Payable	31,632.22	(565,360.66)	(533,728.44)	(180,326.69)
Retainage payable	-	(179,488.42)	(179,488.42)	-
Payroll taxes payable	1,813.28	963.89	2,777.17	-
Accrued wages	3,906.08	2,289.81	6,195.89	-
Deferred revenue	(1,590.15)	-	(1,590.15)	-
Compensated absences	9,593.97	(469.95)	9,124.02	-
Total Adjustments	252,912.83	(167,547.71)	85,365.12	(213,292.95)
Net Cash Provided (Used) by Operating Activities	\$ 779,173.01	\$ 70,802.51	\$ 849,975.52	\$ (0.00)

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. General Statement**

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

The accounting and reporting policies of the City relating to the funds included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards the City has elected to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989, except those pronouncements that conflict or contradict GASB pronouncements, in which case, GASB prevails. The more significant accounting policies of the City are described below.

**B. Financial Reporting Entity**

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- \* the organization is legally separate (can sue and be sued in their own name)
- \* the City holds the corporate powers of the organization
- \* the City appoints a voting majority of the organization's board
- \* the City is able to impose its will on the organization
- \* the organization has the potential to impose a financial benefit/burden on the City
- \* there is fiscal dependency by the organization on the City

Rolla Municipal Utilities was established by City Ordinance in 1944. Rolla Municipal Utilities is operated by a Board of Public Works, the members of which are appointed by the Mayor and approved by the City Council. In accordance with GASB Statement 14, after consideration of the financial benefits and other criteria, Rolla Municipal Utilities has been included as a component unit in the City's reporting entity. Rolla Municipal Utilities' audited component unit financial statements for the year ended September 30, 2008, are available in their entirety at Rolla Municipal Utilities.

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Cont'd.)

**B. Financial Reporting Entity** (cont'd)

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. The organization together with the reasons for its exclusion from the City's reporting entity is as follows:

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

**C. Basic Financial Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general, street, recreation centre, park, parkland reserve, airport, and cemetery funds are classified as governmental activities. The City's sewer and sanitation services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Cont'd.)

**C. Basic Financial Statements** (Cont'd)

capital grants. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.)

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. Major funds are reported as separate columns in the fund financial statements. Each individual fund of the City is considered to be a major fund.

The following fund types are used by the City:

Governmental Fund Types:

Governmental Funds are those through which general governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the City's Governmental Funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Street Fund

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

**CITY OF ROLLA**  
**ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Cont'd.)

**C. Basic Financial Statements** (Cont'd)

Recreation Centre Fund:

The Recreation Centre Fund is used to account for tax revenues and charges for services related to the City's recreation center.

Park Fund: The Park Fund is used to account for tax revenues and charges for services related to the City's parks.

Park Land Reserve Fund: The Park Land Reserve Fund is used to account for proceeds from the sale of park land.

Airport Fund: The Airport Fund is used to account for charges for services and expenditures of the City airport.

Cemetery Fund: The Cemetery Fund is used to account for resources restricted for the City cemetery.

Proprietary Fund Types:

Proprietary Funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund's activities are included on its balance sheet. The following are the City's Proprietary Fund types:

Enterprise Funds

The Enterprise Funds are used for activities which are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. These funds include: Sewer and Sanitation.



**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Cont'd.)

**D. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**1. Accrual:**

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**2. Modified Accrual:**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**E. Capital Assets**

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with a cost of \$5,000 or greater and an estimated useful life of at least one year.

Capital assets for all fund types are recorded at cost or estimated historical cost where cost could not be determined from available records. Donated fixed assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are expensed as incurred.

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Cont'd.)

**E. Capital Assets** (Cont'd.)

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during construction is reflected in the capital value of the asset, net of interest earned on the invested bond construction proceeds over the same period and net of bond premium/discount amortization.

In accordance with the provision of GASB 34, the City has elected to report infrastructure assets on a prospective basis only. Therefore, the infrastructure balance at September 30, 2008, represents additions from October 1, 2003 through the present.

Fixed assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

**PRIMARY GOVERNMENT**

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

**ROLLA MUNICIPAL UTILITIES**

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

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Cont'd.)

**F. Materials Inventories**

Materials inventories of the enterprise funds and the airport fund are valued at historical cost when known, or at lower of current replacement costs or market value.

On the other funds, material inventories are expensed when purchased.

**G. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, amounts invested in overnight repurchase agreements, and investments with a maturity date of 90 days or less.

State law and the City's investment policy allow the City Administrator to invest in U.S. Treasury obligations, U.S. Government Agency securities and instrumentalities of government sponsored corporations, repurchase agreements, certificates of deposit, Missouri local government investment pools and full faith and credit obligations of the United States, the state of Missouri or any Missouri local government unit. Such investments are stated at fair value. Fair value for investments are determined by closing market prices at year-end as reported by the custodian.

**H. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**I. Deferred Charges**

Bond Issuance Costs and the Original Issue Discount are amortized over the period the bonds or lease are outstanding, using the straight-line method.

**J. Interfund Receivables and Payables**

Short-term amounts owed between funds are classified as "Due to/from Other Funds".

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Cont'd.)

**K. Capitalized Interest**

Interest and other costs directly related to financing are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangement restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. There was no interest capitalized during the current fiscal year.

**L. Prepaid Items**

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

**M. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**N. Supplemental Disclosures of Cash Flow Information**

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments purchased with an original maturity of 90 days or less to be cash equivalents.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY INFORMATION:**

**A. Primary Government**

**Bond Compliance**

The Sewer Fund is required to set aside monies for principal and interest payments and depreciation and replacement. As of September 30, 2008, these required reserves are underfunded by \$513,654.52.

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 3 - RETIREMENT PLANS:**

**A. Plan Description**

The City of Rolla and Rolla Municipal Utilities participate in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the System's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

**Primary Government**

**Funding Status**

The City of Rolla's full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 11.5% (general), 5.3% (police) and 16.9% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

**Annual Pension Cost**

For the year ended September 30, 2008, the political subdivision's annual pension cost of \$747,333 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and/or February 28, 2007 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2008 included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back one year for men and seven years for women. The

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 3 - RETIREMENT PLANS:** (Cont'd)

**Primary Government** (Cont'd)

**Annual Pension Cost** (Cont'd)

actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2008 was 15 years.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/06	\$ 676,144	100%	\$ -0-
06/30/07	736,918	100%	-0-
06/30/08	747,333	100%	-0-

**Component Unit**

**Funding Status**

The Rolla Municipal Utilities' full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 9.7% (general) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

**Annual Pension Cost**

For 2008, the political subdivision's annual pension cost of \$550,219 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and/or February 28, 2007 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2008 included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2008 was 15 years.

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 3 - RETIREMENT PLANS:** (Cont'd)

**Component Unit** (Cont'd)

**Annual Pension Cost**

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	\$ 437,225	100%	-
6/30/2007	\$ 224,334	100%	-
6/30/2008	\$ 550,219	100%	-

**NOTE 4 – DEPOSITS AND INVESTMENTS**

As of September 30, the City had the following investments and maturities:

Investment Type	Investment Maturity (in years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
Certificates of Deposit	\$ 3,929,000.00	\$ 2,180,000.00	\$ 1,749,000.00	\$ -	\$ -
Government and Agency Bonds	7,034,007.89	4,896,041.00	2,137,966.89	-	-
Guaranteed Investment Contracts	2,905,532.93	-	-	-	2,905,532.93
Fidelity Treasury Fund	95,249.03	95,249.03	-	-	-
<b>Total</b>	<b>\$ 13,963,789.85</b>	<b>\$ 7,171,290.03</b>	<b>\$ 3,886,966.89</b>	<b>\$ -</b>	<b>\$ 2,905,532.93</b>

**CITY OF ROLLA**  
**ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 4 – DEPOSITS AND INVESTMENTS:** (Cont'd)

As of September 30, the Component Unit had the following investments and maturities:

Investment Type	Investment Maturity (in years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasury Bills	\$ 600,000	\$ 600,000	\$ -	\$ -	\$ -
Total	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Interest rate risk.* Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The City's policy on interest rate is as follows: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The Component Unit does not have a formal interest rate risk policy.

*Credit risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. State statutes authorize political subdivisions to invest in obligations of the U.S. Treasury, and federal agencies and instrumentalities; certificates of deposit issued by Missouri banks; and repurchase agreements. The City's investment policy does not further limit its investment choices. The component unit has no investment policy that would further limit its investment choices. The City's and the Component Unit's investments met the state statute requirements.

*Concentration of credit risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The City's portfolio diversification policy is as follows:

Diversification by Financial Institution:

Certificates of Deposit (CD's) – Commercial Banks: No more than 75% of the total portfolio with any one institution. The City Administrator shall have the authority to waive the condition and when waived shall advise the City Council.

Certificates of Deposit (CD's) – Savings and Loan Associations: No more than 50% of the total portfolio with any one institution.



**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 4 – DEPOSITS AND INVESTMENTS:** (Cont'd)

Bankers' Acceptance (BA's): No more than 30% of the total portfolio.

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the local government's deposits may not be returned to the local government. All bank balances, including money market accounts, and certificate of deposits as of the balance sheet date are entirely insured or collateralized with securities held by either the City's or the Component Unit's agents in the name of either the City or the Component Unit.

*Custodial credit risk-investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the local government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City and the Component Unit do not have any custodial risk in investments.

**NOTE 5 – LONG-TERM DEBT:**

Long-term debt of the City of Rolla consists of several lease purchase agreements, G.O. bonds payable, revenue bonds, loans, and compensated absences payable.

**PRIMARY GOVERNMENT**

**GOVERNMENTAL ACTIVITIES**

**CAPITAL LEASES PAYABLE**

All lease purchase agreements provide for cancellation of the lease on the annual renewal date if the City or Component Unit should fail to appropriate funds. However, the City and the Component Unit do not foresee exercising its right to cancel. Therefore, the leases are accounted for as noncancellable capital leases in accordance with Statement of Financial Accounting Standards 13, "Accounting for Leases".

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

**CAPITAL LEASES PAYABLE** (Cont'd)

Lease Purchase – Xerox Copy Machines

On June 11, 2007, the City entered into a lease purchase agreement to finance the purchase of two Xerox copy machines bearing an interest rate of 11.684% and maturing July 5, 2012. The following is a schedule of minimum payments over the remaining life of the lease:

	Principal	Interest	Total
2009	\$ 2,480.37	\$ 1,224.39	\$ 3,704.76
2010	2,786.21	918.55	3,704.76
2011	3,129.79	574.97	3,704.76
2012	3,195.58	189.17	3,384.75
Total	\$ 11,591.95	\$ 2,907.08	\$14,499.03

Lease Purchase – Fire Truck

On May 1, 2007, the City entered into a lease purchase agreement to finance the purchase of a fire truck bearing a 6.371% interest rate and maturing May 1, 2018. The following is a schedule of minimum lease payments over the remaining life of the lease.

	Principal	Interest	Total
2009	\$ 44,891.12	\$ 20,229.05	\$ 65,120.17
2010	46,592.49	18,527.68	65,120.17
2011	48,358.35	16,761.82	65,120.17
2012	50,191.13	14,929.04	65,120.17
2013	52,093.37	13,026.80	65,120.17
2014-2018	291,621.67	33,979.19	325,600.86
Total	\$ 533,748.13	\$ 117,453.58	\$ 651,201.71

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

**CAPITAL LEASES PAYABLE** (Cont'd)

Lease Purchase – Fire Truck

On May 15, 2001, the City entered into a lease purchase agreement to finance the purchase of a new fire truck bearing an interest rate of 4.25% and maturing November 1, 2008. The following is a schedule of minimum lease payments over the remaining life of the lease:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 82,106.91	\$ 3,492.01	\$ 85,598.92
Total	<u>\$ 82,106.91</u>	<u>\$ 3,492.01</u>	<u>\$ 85,598.92</u>

Lease Purchase – Backhoe/Boom Mower

On June 20, 2005, the City entered into a lease purchase agreement to finance the purchase of a new backhoe with a boom mower bearing an interest rate of 3.73% and maturing June 24, 2009. The following is a schedule of minimum lease payments over the remaining life of the lease:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$33,072.21	\$1,235.04	\$ 34,307.25
Total	<u>\$33,072.21</u>	<u>\$1,235.04</u>	<u>\$ 34,307.25</u>

Lease Purchase – Fuel Storage Tank

On April 9, 2004, the City entered into a lease purchase agreement to finance the purchase of a new fuel underground storage tank for the airport bearing an interest rate of 5.25% and maturing April 9, 2012. The following is a schedule of minimum lease payments over the remaining life of the lease:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 23,568.15	\$ 5,432.91	\$29,001.06
2010	24,822.67	4,178.39	29,001.06
2011	26,143.96	2,857.10	29,001.06
2012	27,531.55	1,469.51	29,001.06
Total	<u>\$102,066.33</u>	<u>\$13,937.91</u>	<u>\$116,004.24</u>

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

**CAPITAL LEASES PAYABLE** (Cont'd)

Lease Purchase – Forest Service Land

On September 5, 2007, the City of Rolla entered into a Lease purchase agreement for Forest Service Land. This is a non-interest bearing lease maturing January 1, 2027. In accordance with APB No 21 an effective interest rate of 4% was calculated based on the City's account borrowing abilities. This effective interest rate was used to generate the minimum lease payment schedule. The following is a schedule of minimum lease payments over the remaining life of the lease:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 12,127.11	\$ 13,422.89	\$ 25,550.00
2010	12,612.20	12,937.80	25,550.00
2011	13,116.69	12,433.31	25,550.00
2012	13,641.35	11,908.65	25,550.00
2013	14,187.01	11,362.99	25,550.00
2014-2018	79,915.06	47,834.94	127,750.00
2019-2023	97,228.90	30,521.10	127,750.00
2024-2027	92,743.84	9,456.16	102,200.00
Total	<u>\$335,572.16</u>	<u>\$149,877.84</u>	<u>\$ 485,450.00</u>

Lease Purchase – Street Sweeper

On April 14, 2006, the City of Rolla extended a master lease dated May 24, 2005 for the purchase of a John Deere Street Sweeper bearing an interest rate of 4.16% and maturing March 15, 2010. The following is a schedule of minimum lease payments over the remaining life of the lease:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 35,034.49	\$ 2,975.59	\$38,010.08
2010	36,494.15	1,515.93	38,010.08
Total	<u>\$71,528.64</u>	<u>\$4,491.52</u>	<u>\$76,020.16</u>

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

**CAPITAL LEASES PAYABLE** (Cont'd)

Series 2005 Capital Lease Agreement

On March 2, 2006, the City of Rolla entered into a lease purchase agreement. The proceeds were used to finance City Hall renovations. Principal and interest payments are being made semi-annually starting October 1, 2005 and ending April 1, 2025. The following is a schedule of minimum lease payments over the remaining life of the lease:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 46,492.77	\$ 47,317.77	\$ 93,810.54
2010	96,005.81	91,615.27	187,621.08
2011	100,178.44	87,442.64	187,621.08
2012	104,532.41	83,088.66	187,621.07
2013	109,075.63	78,545.45	187,621.08
2014-2018	620,745.72	317,359.68	938,105.40
2019-2023	767,887.23	170,218.10	938,105.33
2024-2025	355,908.63	19,333.54	375,242.17
Total	<u>\$2,200,826.64</u>	<u>\$ 894,921.11</u>	<u>\$3,095,747.75</u>

Lease Purchase – Two Dumptrucks and One Loader

On December 19, 2007, the City of Rolla entered into a lease purchase agreement for two dumptrucks and a loader bearing an interest rate of 3.543% and maturing December 19, 2011. The following is a schedule of minimum lease payments over the remaining life of the lease:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 55,566.65	\$ 8,446.60	\$ 64,013.25
2010	57,567.60	6,445.65	64,013.25
2011	59,640.60	4,372.65	64,013.25
2012	61,788.26	2,224.99	64,013.25
	<u>\$ 234,563.11</u>	<u>\$ 21,489.89</u>	<u>\$ 256,053.00</u>

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

LOANS

DNR Loan Payable

During the year ended September 30, 2005, the City entered into a loan agreement with the Missouri Department of Natural Resources in the amount of \$9,954 plus interest of 3.2% to finance building improvements at the fire department. The agreement requires semi-annual payments of \$715, which includes interest of 3.2%. The following schedule of minimum lease payments over the remaining life of the loan:

	Principal	Interest	Total
2009	\$1,333.72	\$ 95.28	\$1,429.00
2010	1,376.75	52.25	1,429.00
2011	597.68	9.57	607.25
Total	\$3,308.15	\$157.10	\$3,465.25

Note Payable – Fire Equipment

On March 1, 2007, the City took out a loan with Regions Bank to finance the purchase of SCBA/Posicheck Equipment for the fire department. The note bears an interest rate of 4.425% and matures March 1, 2012. The following is a schedule of minimum payments over the remaining life of the note:

	Principal	Interest	Total
2009	\$ 15,550.86	\$ 2,932.90	\$ 18,483.76
2010	16,232.25	2,251.51	18,483.76
2011	16,950.53	1,533.23	18,483.76
2012	17,698.81	784.97	18,483.78
Total	\$ 66,432.45	\$ 7,502.61	\$ 73,935.06

Note Payable – Caterpillar Backhoe

On January 2, 2007, the City took out a loan with Central Federal Savings and Loan to finance the purchase of a Caterpillar 420E Backhoe. The note bears an interest rate of 4.690% and matures January 7, 2011. The following is a schedule of minimum payments over the remaining life of the note:

	Principal	Interest	Total
2009	\$ 12,962.82	\$ 1,726.55	\$ 14,689.37
2010	13,570.78	1,118.59	14,689.37
2011	10,279.75	482.12	10,761.87
Total	\$ 36,813.35	\$ 3,327.26	\$ 40,140.61

**CITY OF ROLLA**  
**ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

**GENERAL OBLIGATION BONDS**

**Series 1999 G.O. Bond**

On September 1, 1999, the City issued \$11,700,000 in General Obligation Recreation Centre Bonds due in varying annual installments through September 1, 2014, with interest at 3.60% to 5.40% due on March 1 and September 1 of each year. Bonds maturing on March 1, 2009 and thereafter are callable on March 1, 2009 under various terms of the bond ordinances. In March of 2009, the bonds were called and refunded by the Series 2004 G.O. Bonds. The following is a schedule of anticipated payments over the life of the bond:

Year Ended September 30,	Principal	Interest	Total
2009	\$ 5,725,000.00	\$ 278,618.75	\$ 6,003,618.75
	<u>\$ 5,725,000.00</u>	<u>\$ 278,618.75</u>	<u>\$ 6,003,618.75</u>

**Series 2004 G.O. Bond**

On March 1, 2004, the City issued \$4,880,000 in General Obligation Crossover Refunding Bonds due in varying annual installments through March 1, 2012, with interest at 2.00% to 3.68% due on March 1 and September 1 of each year. Bonds are not subject to redemption prior to maturity. The bond escrow account created by the bond issue will refund \$4,900,000 principal amount on the Series 1999 General Obligation Recreation Centre Bonds on March 1, 2009. Interest earned on the bond escrow account will be used to pay interest due on the Series 2004 General Obligation Crossover Refunding Bonds through March 1, 2009. The following is a schedule of anticipated payments over the life of the bond:

Year Ended September 30,	Principal	Interest	Total
2009	\$ 200,000.00	\$125,640.00	\$ 325,640.00
2010	1,250,000.00	102,740.00	1,352,740.00
2011	1,300,000.00	106,040.00	1,406,040.00
2012	1,330,000.00	37,240.00	1,367,240.00
	<u>\$4,080,000.00</u>	<u>\$371,660.00</u>	<u>\$4,451,660.00</u>

**CITY OF ROLLA**  
**ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

**GENERAL OBLIGATION BONDS** (Cont'd)

Series 2004B G.O. Bond

On May 3, 2004, the City issued \$7,000,000 in General Obligation Bonds with varying annual installments through March 1, 2012, with interest at 2.75% to 4.375% due on March 1 and September 1 of each year. The following is a schedule of anticipated payments over the remaining life of the bond:

Year Ended September 30,	Principal	Interest	Total
2009	\$ 385,000.00	\$ 216,937.51	\$ 601,937.51
2010	400,000.00	203,681.26	603,681.26
2011	440,000.00	188,431.26	628,431.26
2012	450,000.00	171,181.26	621,181.26
2013	465,000.00	152,881.26	617,881.26
2014-2018	2,810,000.00	451,718.79	3,261,718.79
2019	665,000.00	14,546.88	679,546.88
	<u>\$5,615,000.00</u>	<u>\$1,399,378.22</u>	<u>\$7,014,378.22</u>

**BUSINESS-TYPE ACTIVITIES**

Sewer Fund

Long-term debt in the Sewer Fund consists of several lease purchase agreements and the 1966E and 2000A Wastewater System Revenue Bonds.



**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

**CAPITAL LEASES PAYABLE**

Lease Purchase – Backhoe

On July 7, 2006, the City of Rolla extended a master lease dated May 25, 2005 for the purchase of a John Deere backhoe bearing an interest rate of 6.49% and maturing November 7, 2010. The following is a schedule of minimum lease payments over the remaining life of the lease:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$12,277.21	\$1,596.80	\$13,874.01
2010	12,787.94	1,086.07	13,874.01
2011	13,319.91	554.10	13,874.01
Total	<u>\$38,385.06</u>	<u>\$3,236.97</u>	<u>\$41,622.03</u>

Lease Purchase – Jet Vac

On November 22, 2006 the City entered into a lease purchase agreement to finance the purchase of Jet Vac bearing an interest rate of 6.6923% and maturing May 1, 2010. The following is a schedule of minimum lease payments over the remaining life of the lease:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 39,805.03	\$ 3,488.50	\$ 43,293.53
2010	41,512.66	1,780.87	43,293.53
Total	<u>\$ 81,317.69</u>	<u>\$ 5,269.37</u>	<u>\$ 86,587.06</u>

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

**REVENUE BONDS**

**1996E Wastewater System Revenue Bonds:**

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

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 30,000.00	\$ 18,104.50	\$ 48,104.50
2010	35,000.00	16,444.50	51,444.50
2011	35,000.00	14,607.00	49,607.00
2012	39,000.00	12,646.00	51,646.00
2013	40,000.00	10,552.50	50,552.50
2014-2017	180,000.00	19,731.25	199,731.25
	<u>\$359,000.00</u>	<u>\$92,085.75</u>	<u>\$451,085.75</u>

**CITY OF ROLLA**  
**ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

REVENUE BONDS (Cont'd)

2000A Wastewater System Revenue Bonds:

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

Year Ended September 30,	Principal	Interest	Total
2009	\$ 225,000.00	\$ 198,373.76	\$ 423,373.76
2010	235,000.00	186,898.76	421,898.76
2011	245,000.00	174,913.76	419,913.76
2012	260,000.00	162,357.50	422,357.50
2013	275,000.00	148,837.50	423,837.50
2014-2018	1,605,000.00	499,080.00	2,104,080.00
2019-2020	775,000.00	66,787.50	841,787.50
	<u>\$ 3,620,000.00</u>	<u>\$ 1,437,248.78</u>	<u>\$ 5,057,248.78</u>

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

REVENUE BONDS (Cont'd)

2006 B Water Pollution Control 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 Water Pollution Control Revenue Bonds, Series 2006 B. The bonds bear interest at 4.0% to 5.0%. The interest paid is offset by an interest subsidy from the State of Missouri's 50% bond reserves, which earn interest at 4.125%. Interest payments are due semi-annually on January 1 and July 1 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 .515% of the outstanding principal balance. The following is a schedule of anticipated payments over the life of the bond:

Year Ended September 30,	Principal	Interest	Total
2009	\$ 105,000.00	\$ 127,887.50	\$ 232,887.50
2010	105,000.00	123,687.50	228,687.50
2011	110,000.00	119,487.50	229,487.50
2012	115,000.00	115,087.50	230,087.50
2013	120,000.00	110,487.50	230,487.50
2014-2018	680,000.00	475,037.50	1,155,037.50
2019-2023	840,000.00	316,187.50	1,156,187.50
2024-2027	830,000.00	94,562.50	924,562.50
Total	<u>\$ 2,905,000.00</u>	<u>\$ 1,482,425.00</u>	<u>\$ 4,387,425.00</u>

COMPONENT UNIT

Rolla Municipal Utilities entered into a lease purchase agreement during the year ended September 30, 2001 to purchase electrical generation equipment. The lease agreement calls for varying quarterly principal payments through 2010 with interest at 5.30%. Current maturity of lease principal is \$700,000.

Rolla Municipal Utilities entered into a lease purchase agreement during the year ended September 30, 2005 for construction of water towers and other improvements. The lease agreement calls for varying semi-annual principal payments through 2023 with interest at 3.55%. Current maturity of lease principal is \$95,000.

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

COMPONENT UNIT (Cont'd)

The annual requirements to amortize capital leases payable outstanding as of September 30, 2008 are as follows:

**Generation Project**

Year Ending September 30,	Principal	Net Interest	Total
2009	\$ 740,000.00	\$ 66,623.96	\$ 806,623.96
2010	590,000.00	18,698.22	608,698.22
Total	<u>\$ 1,330,000.00</u>	<u>\$ 85,322.18</u>	<u>\$ 1,415,322.18</u>

**Water Towers**

Year Ending September 30,	Principal	Net Interest	Total
2009	100,000.00	88,346.07	188,346.07
2010	100,000.00	84,000.49	184,000.49
2011	110,000.00	79,300.77	189,300.77
2012	110,000.00	74,497.90	184,497.90
2013	120,000.00	69,197.20	189,197.20
2014	120,000.00	63,943.51	183,943.51
2015	130,000.00	58,355.77	188,355.77
2016	135,000.00	52,567.96	187,567.99
2017	140,000.00	46,278.05	186,278.05
2018	145,000.00	40,037.95	185,037.95
2019	150,000.00	33,414.16	183,414.16
2020	160,000.00	26,525.93	186,525.93
2021	165,000.00	19,292.26	184,292.26
2022	175,000.00	11,728.72	186,728.72
2023	190,000.00	3,624.40	193,624.40
Total	<u>\$ 2,050,000.00</u>	<u>\$ 751,111.14</u>	<u>\$ 2,801,111.14</u>

**CITY OF ROLLA**  
**ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

**Changes in Long-Term Debt**

The following tables are a summary of the changes in the long-term debt for the year ended September 30, 2008:

Governmental Activities:

	Balance September 30, 2007	New Obligations	Retired	Premium Accretion	Balance September 30, 2008	Amounts Due Within One Year
G.O Bonds Payable	\$ 16,862,349.93	\$ -	\$ 1,355,000.00	\$ 12,145.04	\$ 15,495,204.89	\$ 6,310,000.00
DNR Energy Loan	4,600.20	-	1,292.05	-	3,308.15	1,333.72
Capital Leases Payable	3,661,476.00	330,896.52	387,296.44	-	3,605,076.08	335,339.78
Notes Payable	130,505.45	-	27,259.65	-	103,245.80	28,513.68
Compensated Absences	764,830.04	76,203.00	-	-	841,033.04	-
	<u>\$ 21,423,761.62</u>	<u>\$ 407,099.52</u>	<u>\$ 1,770,848.14</u>	<u>\$ 12,145.04</u>	<u>\$ 20,047,867.96</u>	<u>\$ 6,675,187.18</u>

Business - Type Activities:

	Balance September 30, 2007	New Obligations	Retired	Premium Accretion	Balance September 30, 2008	Amounts Due Within One Year
1196E Revenue Bonds Payable	\$ 389,000.00	\$ -	\$ 30,000.00	\$ -	\$ 359,000.00	\$ 30,000.00
2000A Revenue Bonds Payable	3,830,000.00	-	210,000.00	-	3,620,000.00	225,000.00
2006B Revenue Bonds Payable	3,095,012.08	-	100,000.00	4,737.47	2,990,274.61	105,000.00
Capital Leases Payable	201,977.44	-	82,274.69	-	119,702.75	52,082.24
Compensated Absences	105,824.27	9,124.02	-	-	114,948.29	-
	<u>\$ 7,621,813.79</u>	<u>\$ 9,124.02</u>	<u>\$ 422,274.69</u>	<u>\$ 4,737.47</u>	<u>\$ 7,203,925.65</u>	<u>\$ 412,082.24</u>

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

**Changes in Long-Term Debt** (Cont'd)

Component Unit:

	Balance September 30, 2007	New Obligations	Retired	Balance September 30, 2008	Amounts Due Within One Year
Capital Leases Payable	\$ 4,175,000.00	\$ -	\$ 795,000.00	\$ 3,380,000.00	\$ 840,000.00
Compensated Absences	124,760.00	19,217.00	-	143,977.00	-
	<u>\$ 4,299,760.00</u>	<u>\$ 19,217.00</u>	<u>\$ 795,000.00</u>	<u>\$ 3,523,977.00</u>	<u>\$ 840,000.00</u>

**NOTE 6 - FUND EQUITY:**

Reservations of fund equity are created to either 1) satisfy legal covenants that require a portion of the fund equity be segregated or 2) identify the portion of the fund equity that is not appropriable for further expenditures. Specific reservations of the net assets accounts are summarized below.

Reserve for Debt Service/Capital Lease Retirement - These reserves were created in conjunction with bond covenants and capital lease agreements and are funded by initial deposits from the proceeds of such debt and by transfers from the revenue accounts based on assets held by the respective funds that are restricted for debt service. The purpose of the restricted net assets is to service long term debt obligations.

**NOTE 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. Upon retirement or resignation in good faith, full-time employees are entitled to one-sixth (1/6) regular pay for the first nine weeks unused sick leave and one-third (1/3) regular pay for any unused sick leave above nine weeks to a maximum of 18 weeks in total.

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

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 7 – COMPENSATED ABSENCES:** (Cont'd)

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

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

The primary government's compensated absences payable at September 30, 2008 was \$841,033.04 for governmental activities and \$114,948.29 for business-type activities.

**Component Unit**

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. Rolla Municipal Utilities' compensated absences payable at September 30, 2008 was \$143,977.

**NOTE 8 - ACCOUNTS RECEIVABLE:**

	<u>Proprietary Funds</u>						<u>Total</u>
	<u>Sanitation</u>	<u>Sewer</u>	<u>Internal Service</u>		<u>Fund</u>	<u>Total</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>			
Accounts Receivable	\$ 94,624.86	\$ 9,388.15	\$ 39,976.09			\$143,989.10	
Less Allowance for Doubtful Accounts	(1,782.91)	(7,021.22)	-			(8,804.13)	
Current Net Accounts Receivable	92,841.95	2,366.93	39,976.09			135,184.97	
Noncurrent: Accounts Receivable	-	42,206.77	-			42,206.77	
<b>Total Accounts Receivable</b>	<b>\$ 92,841.95</b>	<b>\$ 44,573.70</b>	<b>\$ 39,976.09</b>			<b>\$177,391.74</b>	

  

	<u>Governmental Funds</u>						<u>Total</u>
	<u>General</u>	<u>Street</u>	<u>Recreation</u>	<u>Airport</u>	<u>Park</u>	<u>Cemetery</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Centre</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Taxes Receivable	\$ 700,132.77	\$ 553,152.14	\$ 276,575.89	\$ -	\$ 6,455.82	\$ -	\$1,536,316.62
Accounts Receivable	238,782.28	95,799.33	-	9,212.18	-	-	343,793.79
Interest Receivable	10,789.29	-	43,489.04	-	-	2,321.75	56,600.08
Grants Receivable	119,567.86	23,562.40	-	43,078.13	1,877.89	-	188,086.28
Less Allowance for Doubtful Accounts	(156,405.36)	-	-	-	-	-	(156,405.36)
	<b>\$ 912,866.84</b>	<b>\$ 672,513.87</b>	<b>\$ 320,064.93</b>	<b>\$ 52,290.31</b>	<b>\$ 8,333.71</b>	<b>\$ 2,321.75</b>	<b>\$1,968,391.41</b>



**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 9 - TAX REVENUE AND TAXES RECEIVABLE:**

The City's property tax is levied in October on the assessed value as of the prior January 1 for property located in the City. Taxes not paid by December 31 are considered delinquent. Assessed valuations are established by the County Assessor.

The assessed valuation of the tangible taxable property for the calendar year 2007 was:

Real Estate	<u>\$184,728,510</u>
TOTAL ASSESSMENT.....	<u>\$184,728,510</u>

The tax levy per \$100 assessed valuation of tangible taxable property for the calendar year 2007 was:

General Fund	\$ .4443
Public Library	.1853
Park Fund	<u>.1094</u>
TOTAL LEVY.....	<u>\$0.7390</u>

The receipts of current taxes for the year ended September 30, 2008, aggregate approximately 100 percent of the current assessment computed on the basis of the total levy shown above.

The legal debt margin at September 30, 2008, was computed as follows:

	GENERAL OBLIGATION BONDS		
	ORDINARY(1)	ADDITIONAL(2)	TOTAL
Constitutional debt limit	\$18,472,851	\$18,472,851	\$36,945,702
General obligation bonds			
Outstanding	(15,420,000)	-0-	(15,420,000)
Plus amount available to			
Service debt of Crossover			
Refunded Debt	<u>4,898,026</u>	<u>-0-</u>	<u>4,898,026</u>
Legal Debt Margin	<u>\$ 7,950,877</u>	<u>\$18,472,851</u>	<u>\$26,423,728</u>

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 9 - TAX REVENUE AND TAXES RECEIVABLE:** (Cont'd)

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

**NOTE 10 - RISK MANAGEMENT:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for all risks of loss. Settled claims have not exceeded this commercial insurance coverage in any of the past three years.

**NOTE 11 – SCHEDULE OF INTERFUND PAYABLE AND RECEIVABLES:**

Interfund balances at September 30, 2008, consist of the following:

	<u>Transfer From Other Funds</u>	<u>Transfer To Other Funds</u>
General Fund	\$ 952,634.00	\$ 508,395.52
Street Fund	-0-	373,400.00
Recreation Fund	-0-	148,007.31
Park Fund	421,664.72	10,761.84
Airport Fund	158,232.64	-0-
Cemetery Fund	-0-	15,732.69
Parkland Reserve Fund	-0-	-0-
Sewer Fund	-0-	219,445.84
Sanitation Fund	-0-	272,234.00
Less Equipment Transfer	-0-	(15,445.84)
	<u>\$ 1,532,531.36</u>	<u>\$1,532,531.36</u>

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 11 – SCHEDULE OF INTERFUND PAYABLE AND RECEIVABLES:** (Cont'd)

The purpose of the transfers to General Fund is for reimbursement of charges for administration, finance, and other services. The purpose of the transfers to Park Fund, Airport Fund and Cemetery Fund from General Fund is to subsidize operations of those funds.

Equipment was transferred from Sewer Fund to General Fund. The General Fund does not report capital assets.

**NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES:**

Litigation

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

Landfill Closing Obligation

In January 1995, the City, along with the five other Phelps County Landfill Board members, entered into a "Contract of Obligation" with the Missouri Department of Natural Resources (DNR) to satisfy the financial assurance requirement for landfill operations. The Landfill Board members are obligated to close the landfill in a manner that meets DNR's standards and to properly maintain the closed landfill for 20 years thereafter. If the closure and post-closure is not done properly, the "Contract of Obligation" authorized DNR to collect \$243,370 from any funds due the members from the Missouri Department of Revenue and the State Treasurer to compensate the State for corrective procedures.

Construction Contracts

The City has various projects in progress with significant balances remaining on the contracts at September 30, 2008.

MoPEP Agreement

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

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES:** (Cont'd)

MoPEP Agreement (Cont'd)

MoPEP operations are governed by a committee (“Pool Committee”) consisting of one representative from each MoPEP member and is currently comprised of 32 members. The Pool Committee is charged with setting rates for all services provided by MJMEUC to MoPEP members. These rates include recovery of all of MJMEUC’s costs (the “Direct Costs”) incurred in connection with acquiring, providing, arranging or financing the provision of full requirements service to MoPEP members. Such rates are based upon an annual budget and include, but are not limited to, all payments MJMEUC is required to make, or reserves or coverage MJMEUC is required to maintain, pursuant to any bond indenture, financing lease or loan agreement or other financial contract in order to procure, deliver, or finance resources intended to provide full requirements service, without regard to whether any particular resource is available to or used by any particular MoPEP member. Direct Costs also include amounts required to fund MoPEP capital and/or operating reserves as may be established from time to time by the Pool Committee.

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

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

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

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 12 - COMMITMENTS AND CONTINGENCIES** (Cont'd)

MoPEP Agreement (Cont'd)

The net power cost charged by MoPEP to RMU for the year ended September 30, 2008 was \$21,670,544. The amount due to MoPEP and included in accounts payable at September 30, 2008 was \$1,127,251.

Subsequent Event

On December 11, 2008 the City of Rolla d/b/a Rolla Municipal Utilities entered into a lease purchase agreement totaling \$15,000,000. The proceeds of this agreement are to be used for a project consisting of, but not necessarily limited to, construction of a 138kV substation, related facilities, line segments and easements/right-of-way. The total estimated project cost is \$18,715,000.

Commitment Summary

A summary of the commitments as of September 30, 2008 is as follows:

<u>Project Description</u>	<u>Fund</u>	<u>Commitment</u>	<u>Contract</u>
Landfill Closing Obligation	General	\$ 171,125	Guarantee
Asphalt Overlay	Street	182,033	Construction
Airport Lighting	Airport	2,734	Construction
Airport Runway Overlay	Airport	13,902	Construction

**CITY OF ROLLA**  
Rolla, Missouri

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2008

**NOTE 13 - CAPITAL ASSETS:**

Property, plant and equipment and accumulated depreciation by major class are as follows at September 30, 2008:

Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Construction in Progress	\$ 1,711,298.00	\$ 413,318.87	\$ 1,711,298.00	\$ 413,318.87
Land	11,821,516.00	196,008.14	-	12,017,524.14
Total capital assets not being depreciated	13,532,814.00	609,327.01	1,711,298.00	12,430,843.01
Capital assets, being depreciated:				
Buildings & improvements	22,783,819.00	734,801.32	2,700.00	23,515,920.32
Machinery & equipment	7,917,908.49	1,338,218.60	348,964.49	8,907,162.60
Infrastructure	69,053,621.00	1,987,915.68	-	71,041,536.68
Total capital assets being depreciated	99,755,348.49	4,060,935.60	351,664.49	103,464,619.60
Less accumulated depreciation:				
Buildings & improvements	5,802,880.00	917,251.56	1,303.00	6,718,828.56
Machinery & equipment	4,636,287.00	781,676.89	307,382.57	5,110,581.32
Infrastructure	18,460,884.00	1,901,083.91	-	20,361,967.91
Total accumulated depreciation	28,900,051.00	3,600,012.36	308,685.57	32,191,377.79
Total capital assets, being depreciated, net	70,855,297.49	460,923.24	42,978.92	71,273,241.81
Total governmental activities capital assets, net	\$ 84,388,111.49	\$ 1,070,250.25	\$ 1,754,276.92	\$ 83,704,084.82

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

General administration	\$ 225,527.98
Public safety	498,657.09
Parks	178,541.97
Airport	212,231.97
Public works	2,053,136.16
Recreation	427,648.57
Cemetery	4,268.62
	\$ 3,600,012.36

**CITY OF ROLLA**  
Rolla, Missouri

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2008

**NOTE 13 - CAPITAL ASSETS:** (Cont'd)

Business-Type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	949,909.62	-	-	949,909.62
Construction in progress	2,095,425.42	-	2,095,425.42	-
Total capital assets not being depreciated	3,045,335.04	-	2,095,425.42	949,909.62
Capital assets, being depreciated:				
Buildings & improvements	1,339,410.00	42,418.50	-	1,381,828.50
Machinery & equipment	4,252,561.00	235,728.76	133,104.88	4,355,184.88
Sewer collection system	25,555,343.00	3,493,355.00	-	29,048,698.00
Total capital assets being depreciated	31,147,314.00	3,771,502.26	133,104.88	34,785,711.38
Less accumulated depreciation:				
Buildings & improvements	1,072,975.00	24,343.86	-	1,097,318.86
Machinery & equipment	2,545,695.00	299,081.87	70,006.24	2,774,770.63
Sewer collection system	6,721,545.00	404,266.87	-	7,125,811.87
Total accumulated depreciation	10,340,215.00	727,692.60	70,006.24	10,997,901.36
Total capital assets, being depreciated, net	20,807,099.00	3,043,809.66	63,098.64	23,787,810.02
Business-type activities capital assets, net	23,852,434.04	3,043,809.66	2,158,524.06	24,737,719.64

Depreciation expense for business-type activities was charged to functions as follows:

Sewer		516,184.18
Sanitation		211,508.42
		727,692.60

The following schedule reflects fixed assets under capital lease.

<b>Governmental Activities:</b>		<b>Business-type activities:</b>	
Cost	\$ 4,153,089.70	Cost	\$ 791,196.56
Accumulated Depreciation	(1,024,361.23)	Accumulated Depreciation	(98,031.90)
Net Book Value	\$ 3,128,728.47	Net Book Value	\$ 693,164.66

Amortization expense for fixed assets under capital leases is included in depreciation expense.

**CITY OF ROLLA**  
Rolla, Missouri

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2008

**NOTE 13 - CAPITAL ASSETS:** (Cont'd)

Component Unit

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land and Easements	\$ 833,692.00	\$ -	\$ -	\$ 833,692.00
Total capital assets, not being depreciated	833,692.00	-	-	833,692.00
Capital assets, being depreciated:				
Buildings and Improvements	3,884,576.00	40,205.00	-	3,924,781.00
Office Furniture, Fixtures and Equipment	917,898.00	15,473.00	27,409.00	905,962.00
Transportation Equipment	1,274,382.00	158,293.00	80,944.00	1,351,731.00
Distribution System	33,741,611.00	2,781,845.00	43,529.00	36,479,927.00
Production System	7,864,661.00	-	-	7,864,661.00
Total Capital assets being depreciated	47,683,128.00	2,995,816.00	151,882.00	50,527,062.00
Less accumulated depreciation for:				
Buildings and Improvements	2,452,405.00	94,790.00	-	2,547,195.00
Office Furniture, Fixtures & Equipment	663,883.00	70,537.00	27,410.00	707,010.00
Transportation Equipment	920,901.00	75,279.00	80,945.00	915,235.00
Distribution System	16,145,795.00	1,171,972.00	39,645.00	17,278,122.00
Production System	2,701,014.00	382,664.00	-	3,083,678.00
Total accumulated depreciation	22,883,998.00	1,795,242.00	148,000.00	24,531,240.00
Total capital assets, being depreciated, net	24,799,130.00	1,200,574.00	3,882.00	25,995,823.00
Business-type activities capital assets, net	\$ 25,632,822.00	\$ 1,200,574.00	\$ 3,882.00	\$ 26,829,515.00

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

<b>Business-type Activities</b>	
Electric	\$ 827,030.00
Water	585,548.00
Power Production	382,664.00
Total depreciation - business-type activities	\$ 1,795,242.00

The following schedule reflects fixed assets under capital lease.

Cost	\$ 8,397,316.58
Accumulated Depreciation	(2,830,338.94)
Net Book Value	\$ 5,566,977.64

Amortization expense for fixed assets under capital leases is included in depreciation expense.



**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 14 – SELF INSURED HEALTH INSURANCE PROGRAM**

In 1983 the City of Rolla (City) began providing health insurance benefits through a self-insured health insurance plan (The Plan). The Plan provides health benefits (medical and dental) to all full time employees. The Plan is funded by contributions from the City and from participating employees. Such contributions are based on rates established by the City. The rates are calculated by the City and are based on achieving the 33%/67% allocation required by the City Council. Contributions are made monthly and rates are adjusted periodically to reach the goal. The City contracts with Welsch, Flatness and Lutz as benefits consultants and Meritain Health as a third party administrator. The current health insurance network is Health Link and LDI provides pharmaceutical services. The contract period renews October 1 of each year.

The City protects against catastrophic individual and aggregate loss by stop-loss insurance coverage carried through Majestic Life Investors. The specific excess loss insurance reimburses the City for loss amounts exceeding a specified limit per participant per year. Such limit was \$75,000 for the year ending September 30, 2008. Specific loss reimbursements for the year ended September 30, 2008 totaled \$2,771.78. The aggregate excess loss insurance reimburses the City for loss amounts.

	Claims Liability Beginning of Year	Incurred Claims	Claims Paid	Claims Liability End of Year
September 30, 2008	\$ 248,880.26	\$ 1,218,392.58	\$ 1,398,719.37	\$ 68,553.47
September 30, 2007	103,947.55	1,409,683.72	1,264,751.01	248,880.26
September 30, 2006	125,302.45	1,491,817.62	1,511,172.52	105,947.55

The City verifies the 33%/67% allocation on a calendar year basis. Total claims paid ending December 31, 2008 were \$2,202,731.85. Of the claims paid \$707,639.81 were employee contributions made up of premiums withheld, deductibles and out-of-pocket expenses. The remaining \$1,495,092.04 was paid by the City. Therefore, the allocation for the 2008 calendar years was 32.13%/67.87%.

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 15 – RELATED ORGANIZATION**

The Rolla Public Library is a political subdivision of the State of Missouri created under Chapter 182 of the Missouri Revised Statutes. The Library is governed by a Board of Directors appointed by the Mayor of the City of Rolla. The Board of Directors possess 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 16 – OTHER POST-EMPLOYMENT BENEFITS**

In addition to pension benefits, the City of Rolla provides certain health care benefits for retired employees through the City's self insured health insurance program described in more detail in Note 14. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. Currently, four City retirees are receiving benefits. The cost of retiree health care benefits is recognized as expense as paid. For the year ended September 30, 2008, those costs totaled approximately \$21,182.65 for the City. Provisions related to other post-employment benefits are established or amended by the City Council.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**CITY OF ROLLA**  
**ROLLA, MISSOURI**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**A. Budgets and Budgetary Accounting**

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

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

**B. Schedule of Funding Progress (Data provided by LAGERS)**

**Primary Government**

	(a)	(b)	(b-a)		(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Accrued Liability	Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
02/28/06	12,466,726	12,317,046	(149,680)	101%	5,980,508	0%
02/28/07	14,013,173	13,418,659	(594,514)	104%	6,387,302	0%
02/28/08	14,925,342	14,146,563	(778,779)	106%	6,769,256	0%

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**B. Schedule of Funding Progress (Data provided by LAGERS) (Cont'd)**

**Component Unit**

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded (Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2006	\$ 5,261,426	\$ 5,398,449	\$ 137,023	97%	\$ 1,916,469	7%
2/28/2007	5,531,865	5,865,329	333,464	94%	2,022,810	16%
2/28/2008	6,720,041	6,355,347	(364,694)	106%	2,169,266	-17%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes and franchise fees	\$ 7,433,540.00	\$ 7,406,200.00	\$ 7,886,335.91	\$ 480,135.91
Licenses, permits & fees	176,500.00	178,500.00	165,456.42	(13,043.58)
Intergovernmental	715,500.00	798,500.00	527,762.95	(270,737.05)
Fines and forfeits	163,500.00	143,500.00	128,881.39	(14,618.61)
Rent income	23,000.00	16,000.00	8,580.00	(7,420.00)
Charges for services	171,826.24	193,826.24	429,280.32	235,454.08
Interest	-	-	37,935.06	37,935.06
Miscellaneous	121,000.00	71,000.00	59,400.56	(11,599.44)
Total Revenues	<u>8,804,866.24</u>	<u>8,807,526.24</u>	9,243,632.61	436,106.37
<b>EXPENDITURES:</b>				
Current				
General government	4,371,795.00	4,577,923.00	4,549,341.06	28,581.94
Public Safety	4,821,419.00	4,880,917.00	4,851,589.51	29,327.49
Total Expenditures	<u>9,193,214.00</u>	<u>9,458,840.00</u>	<u>9,400,930.57</u>	<u>57,909.43</u>
Excess of Revenues Over (Under) Expenditures	(388,347.76)	(651,313.76)	(157,297.96)	494,015.80
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	958,900.00	958,900.00	952,634.00	(6,266.00)
Operating transfer out	(490,000.00)	(460,000.00)	(508,395.52)	(48,395.52)
Total Other Financing Sources (Uses)	<u>468,900.00</u>	<u>498,900.00</u>	<u>444,238.48</u>	<u>(54,661.52)</u>
Net Change in Fund Balance	<u>\$ 80,552.24</u>	<u>\$ (152,413.76)</u>	286,940.52	<u>\$ 439,354.28</u>
Fund Balance - beginning of year			1,881,934.07	
Fund Balance - end of year			<u>\$ 2,168,874.59</u>	

CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - STREET FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>REVENUES:</b>				
Taxes and franchise fees	\$ 4,328,077.65	\$ 4,240,127.65	\$ 4,302,298.54	\$ 62,170.89
Licenses, permits & fees	105,767.20	105,767.20	-	(105,767.20)
Intergovernmental	536,200.00	536,200.00	527,622.62	(8,577.38)
Charges for services	70,000.00	220,000.00	194,971.22	(25,028.78)
Interest	5,000.00	5,000.00	7,173.97	2,173.97
Miscellaneous	22,000.00	22,000.00	9,295.00	(12,705.00)
Total Revenues	<u>5,067,044.85</u>	<u>5,129,094.85</u>	<u>5,041,361.35</u>	<u>(87,733.50)</u>
<b>EXPENDITURES:</b>				
General government				
Highways and streets	<u>4,761,614.00</u>	<u>5,258,114.00</u>	<u>5,254,398.75</u>	<u>3,715.25</u>
Total Expenditures	<u>4,761,614.00</u>	<u>5,258,114.00</u>	<u>5,254,398.75</u>	<u>3,715.25</u>
Excess Revenues Over (Under) Expenditures	305,430.85	(129,019.15)	(213,037.40)	(84,018.25)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(373,400.00)	(373,400.00)	(373,400.00)	-
Proceeds from sale of fixed assets	-	-	151.50	151.50
Proceeds from lease	310,000.00	310,000.00	298,576.36	(11,423.64)
Total Other Financing Sources (Uses)	<u>(63,400.00)</u>	<u>(63,400.00)</u>	<u>(74,672.14)</u>	<u>(11,272.14)</u>
Net Change in Fund Balance	<u>\$ 242,030.85</u>	<u>\$ (192,419.15)</u>	(287,709.54)	<u>\$ (95,290.39)</u>
Fund Balance - beginning of year			<u>734,171.29</u>	
Fund Balance - end of year			<u>\$ 446,461.75</u>	

CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - RECREATION CENTRE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes and franchise fees	\$ 1,923,525.00	\$ 1,879,550.00	\$ 1,882,386.98	\$ 2,836.98
Intergovernmental	41,700.00	41,700.00	48,923.22	7,223.22
Charges for services	1,381,500.00	1,381,500.00	1,295,932.94	(85,567.06)
Interest	190,000.00	190,000.00	238,953.47	48,953.47
Miscellaneous	500.00	500.00	-	(500.00)
Total Revenues	<u>3,537,225.00</u>	<u>3,493,250.00</u>	<u>3,466,196.61</u>	<u>(27,053.39)</u>
<b>EXPENDITURES:</b>				
Recreation	<u>3,139,385.00</u>	<u>3,333,885.00</u>	<u>3,155,387.54</u>	<u>178,497.46</u>
Total Expenditures	<u>3,139,385.00</u>	<u>3,333,885.00</u>	<u>3,155,387.54</u>	<u>178,497.46</u>
Excess of Revenues Over (Under) Expenditures	397,840.00	159,365.00	310,809.07	151,444.07
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	<u>(103,000.00)</u>	<u>(103,000.00)</u>	<u>(148,007.31)</u>	<u>(45,007.31)</u>
Total Other Financing Sources (Uses)	<u>(103,000.00)</u>	<u>(103,000.00)</u>	<u>(148,007.31)</u>	<u>(45,007.31)</u>
Net Change in Fund Balance	<u>\$ 294,840.00</u>	<u>\$ 56,365.00</u>	162,801.76	<u>\$ 106,436.76</u>
Fund Balance - beginning of year			7,678,090.66	
Fund Balance - end of year			<u>\$ 7,840,892.42</u>	



CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - PARK FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes and franchise fees	\$ 211,600.00	\$ 209,426.00	\$ 205,698.31	\$ (3,727.69)
Licenses, permits & fees	96,100.00	97,600.00	109,974.14	12,374.14
Intergovernmental	4,200.00	7,200.00	7,769.16	569.16
Rent income		1,600.00	1,600.00	-
Charges for services	6,000.00	6,000.00	4,077.50	(1,922.50)
Interest	4,800.00	4,800.00	983.80	(3,816.20)
Miscellaneous	500.00	500.00	-	(500.00)
Total Revenues	<u>323,200.00</u>	<u>327,126.00</u>	<u>330,102.91</u>	<u>2,976.91</u>
<b>EXPENDITURES:</b>				
Park	751,860.00	755,660.00	753,819.46	1,840.54
Total Expenditures	<u>751,860.00</u>	<u>755,660.00</u>	<u>753,819.46</u>	<u>1,840.54</u>
Excess of Revenues Over (Under) Expenditures	(428,660.00)	(428,534.00)	(423,716.55)	4,817.45
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	422,000.00	422,000.00	421,664.72	(335.28)
Operating transfer out			(10,761.84)	(10,761.84)
Total Other Financing Sources (Uses)	<u>422,000.00</u>	<u>422,000.00</u>	<u>410,902.88</u>	<u>(11,097.12)</u>
Net Change in Fund Balance	<u>\$ (6,660.00)</u>	<u>\$ (6,534.00)</u>	(12,813.67)	<u>\$ (6,279.67)</u>
Fund Balance - beginning of year			15,484.51	
Fund Balance - end of year			<u>\$ 2,670.84</u>	

CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - AIRPORT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 578,500.00	\$ 579,400.00	\$ 385,020.27	\$ (194,379.73)
Fuel sales	240,000.00	220,000.00	276,750.54	56,750.54
Rent income	500.00	500.00	55,084.00	54,584.00
Interest	15.00	15.00	5.97	(9.03)
Miscellaneous	200.00	200.00	-	(200.00)
Total Revenues	<u>819,215.00</u>	<u>800,115.00</u>	<u>716,860.78</u>	<u>(83,254.22)</u>
<b>EXPENDITURES:</b>				
Airport	<u>969,390.00</u>	<u>879,690.00</u>	<u>566,530.52</u>	<u>313,159.48</u>
Total Expenditures	<u>969,390.00</u>	<u>879,690.00</u>	<u>566,530.52</u>	<u>313,159.48</u>
Excess of Revenues Over (Under) Expenditures	(150,175.00)	(79,575.00)	150,330.26	229,905.26
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	80,000.00	50,000.00	158,232.64	108,232.64
Proceeds from sale of fixed assets	500.00	500.00	26.24	(473.76)
Proceeds from debt	56,000.00	56,000.00	-	(56,000.00)
Total Other Financing Sources (Uses)	<u>136,500.00</u>	<u>106,500.00</u>	<u>158,258.88</u>	<u>51,758.88</u>
Net Change in Fund Balance	<u>\$ (13,675.00)</u>	<u>\$ 26,925.00</u>	308,589.14	<u>\$ 281,664.14</u>
Fund Balance - beginning of year			<u>(271,598.74)</u>	
Fund Balance (deficit) - end of year			<u>\$ 36,990.40</u>	

CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - CEMETERY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Interest	\$ 12,000.00	\$ 12,000.00	\$ 6,868.81	\$ (5,131.19)
Miscellaneous	10,000.00	10,000.00	9,525.00	(475.00)
Total Revenues	<u>22,000.00</u>	<u>22,000.00</u>	16,393.81	(5,606.19)
<b>EXPENDITURES:</b>				
Cemetery	12,000.00	12,000.00	-	12,000.00
Total Expenditures	<u>12,000.00</u>	<u>12,000.00</u>	-	12,000.00
Excess of Revenues Over (Under) Expenditures	10,000.00	10,000.00	16,393.81	6,393.81
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer out	(12,000.00)	(12,000.00)	(15,732.69)	(3,732.69)
Total Other Financing Sources (Uses)	<u>(12,000.00)</u>	<u>(12,000.00)</u>	(15,732.69)	(3,732.69)
Net Change in Fund Balance	<u>\$ (2,000.00)</u>	<u>\$ (2,000.00)</u>	661.12	<u>\$ 2,661.12</u>
Fund Balance - beginning of year			231,340.46	
Fund Balance - end of year			<u>\$ 232,001.58</u>	

CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - PARK LAND RESERVE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Interest	\$ 1,500.00	\$ 1,500.00	\$ 487.98	\$ (1,012.02)
Miscellaneous	2,500.00	2,500.00	-	(2,500.00)
<b>Total Revenues</b>	<u>4,000.00</u>	<u>4,000.00</u>	<u>487.98</u>	<u>(3,512.02)</u>
<b>EXPENDITURES:</b>				
Park	20,000.00	20,000.00	4,104.65	15,895.35
<b>Total Expenditures</b>	<u>20,000.00</u>	<u>20,000.00</u>	<u>4,104.65</u>	<u>15,895.35</u>
Excess of Revenues Over (Under) Expenditures	(16,000.00)	(16,000.00)	(3,616.67)	12,383.33
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of fixed assets	-	96,000.00	96,000.00	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>96,000.00</u>	<u>96,000.00</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (16,000.00)</u>	<u>\$ 80,000.00</u>	92,383.33	<u>\$ 12,383.33</u>
Fund Balance - beginning of year			44,982.09	
Fund Balance - end of year			<u>\$ 137,365.42</u>	

**CITY OF  
ROLLA, MISSOURI**

**FEDERAL COMPLIANCE SECTION**

For the Year Ended September 30, 2008

**CITY OF ROLLA, MISSOURI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2008**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
U.S. Department of Transportation - Federal Transit Administration		
Passed Through MO Highway and Transportation Department:		
Airport Improvement Program	20.106	\$ 14,217
TEA Sidewalk/Bikepath	20.205	21,485
Bridge Replacement	20.205	<u>159,828</u>
Total U.S Department of Transportation - Federal Transit Administration		195,530
U.S. Department of Homeland Security		
Passed Through MO State Emergency Management Agency		
Homeland Security - SAFER	97.067	60,476
DOJ Interoperability Communications Grant	97.067	2,429
Weapons of Mass Destruction	97.067	<u>48,463</u>
Total U.S. Department of Homeland Security		111,368
U.S. Department of Housing and Urban Development		
Passed Through MO Department of Economic Development:		
Community Development Block Grant	14.228	<u>44,040</u>
Total U.S. Department of Housing and Urban Development		44,040
Environmental Protection Agency		
Passed Through MO Department of Natural Resources		
State Revolving Fund Capitalization Grant	66.458	988,704
Total Expenditures of Federal Awards		<u><u>\$ 1,339,642</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF ROLLA  
ROLLA, MISSOURI**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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**NOTE 1 – BASIS OF PRESENTATION:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Rolla, Missouri and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 – REVOLVING LOAN PROGRAM:**

The City participates in a state revolving fund program whereby funds equal to seventy percent of project costs are set-aside in a separate interest bearing account. The interest from this separate account is used to offset interest expense on the outstanding debt. The deposits made into the separate account are included in the federal expenditures presented in the schedule.

<u>Program</u>	<u>CFDA Number</u>	<u>Balance</u>
Capitalization grant for State Revolving Funds	66.458	\$ 988,704



# Evers & Company, CPA's, L.L.C.

Certified Public Accountants and Consultants

Elmer L. Evers  
Jerome L. Kauffman  
Richard E. Elliott  
Dale A. Siebeneck  
Keith L. Taylor  
Jo L. Moore

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

To the Honorable Mayor and Members  
of the City Council  
**City of Rolla, Missouri:**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Rolla, Missouri**, as of and for the year ended September 30, 2008, which collectively comprise the **City of Rolla, Missouri's** basic financial statements and have issued our report thereon dated May 28, 2009. 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. The financial statements of Rolla Municipal Utilities were not audited in accordance with Government Auditing Standards.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.



A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, items 2008-1 and 2008-3, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the **City of Rolla, Missouri's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2008-2.

We noted certain matters that we reported to City of Rolla, Missouri, in a separate letter dated May 28, 2009.

This report is intended solely for the information and use of the Mayor, members of the City Council, management and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Evers & Company, CPA's, LLC*

EVERS & COMPANY, CPA's, L.L.C.  
Jefferson City, Missouri

May 28, 2009



# Evers & Company, CPA's, L.L.C.

Certified Public Accountants and Consultants

Elmer L. Evers  
Jerome L. Kauffman  
Richard E. Elliott  
Dale A. Siebeneck  
Keith L. Taylor  
Jo L. Moore

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and Members  
of the City Council  
**City of Rolla, Missouri:**

**Compliance**

We have audited the compliance of the **City of Rolla, Missouri** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The **City of Rolla, Missouri's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the **City of Rolla, Missouri's** management. Our responsibility is to express an opinion on the **City of Rolla, Missouri's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the **City of Rolla, Missouri's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the **City of Rolla, Missouri's** compliance with those requirements.

In our opinion, City of Rolla, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-2.

### **Internal Control Over Compliance**

The management of the **City of Rolla, Missouri** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the **City of Rolla, Missouri's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the **City of Rolla, Missouri's** internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control

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

This report is intended solely for the information of the Mayor, members of the City Council, management and federal award agencies and pass-through entities and is not intended to be and should not be used for anyone other than these specified parties.

*Evers & Company, CPA's, LLC*

EVERS & COMPANY, CPA's, L.L.C.  
Jefferson City, Missouri

May 28, 2009

CITY OF ROLLA  
ROLLA, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

CITY OF ROLLA  
ROLLA, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

(Continued)

**Section I - Summary of Auditor's Results**

Identification of Major Programs:

<u>CFDA Numbers(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Environmental Protection Agency - Passed Through Missouri Department of Natural Resources – State Revolving Fund Capitalization Grants
20.106	U.S. Department of Transportation – Federal Transit Administration – Passed through Missouri Highway and Transportation Department – Airport Improvement Program

Dollar Threshold Used to Distinguish between  
Type A and Type B Programs: \$ 300,000

Auditee qualified as low-risk?  Yes  No

**Section II – Financial Statement Findings**

Control Deficiencies

Internal Control Over Preparation of Financial Statements

2008-1 *Condition:* The City has historically relied on its independent external auditors to assist in the drafting of the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Accordingly, the City's ability to prepare financial statements in accordance with the generally accepted accounting principles is based, in part, on its reliance of the external auditors, who cannot by definition be considered part of the City's internal controls.

*Criteria:* Pursuant to SAS 112, *Communicating Internal Control Related Matters Identified in an Audit*, which effect the Board for the year ended September 30, 2008, we are required to report on whether the organization is able to prepare financial statements in accordance with generally accepted accounting principles. The preparation of financial statements in accordance with generally accepted accounting principles requires internal controls over: a) preventing, detecting and correcting misstatements of the accounting data, and b) drafting financial statements and all required footnote disclosures.

CITY OF ROLLA  
ROLLA, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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(Continued)

**Section II – Financial Statement Findings** (Continued)

*Effect:* With respect to ensuring that there are no misstatements or omissions that would be considered to be significant to the financial statements, the City relies on its external auditors for assistance with the preparation of financial statements and all required footnote disclosures.

*Cause of Condition:* In evaluating the control environment of the City, we considered the abilities of the City's accounting staff, and though proficient in recording daily transactions, did not demonstrate abilities we considered necessary to prevent, detect and correct misstatements, or the ability to draft the financial statements and all related footnote disclosures in accordance with generally accepted accounting principles.

*Recommendation:* We recommend that Mayor and members of the City Council be aware of the internal control deficiencies over financial reporting. And, if possible, implement procedures to ensure that the City has the expertise necessary to prevent, detect and correct misstatements and be capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles.

2008-3 *Condition:* The procedures for accumulating capital asset information for construction type projects and updating the fixed asset module in the accounting software do not provide for an adequate audit trail.

*Criteria:* Procedures should be implemented to ensure that costs related to construction type projects are accumulated properly and can be reconciled to the payments made to contractors.

*Effect:* Capital assets for some of the construction projects do not include some of the costs that would normally be capitalized like engineering costs. It is difficult to trace the payments to vendors to the project cost worksheets prepared by the Public Works department to verify all costs are properly included.

**CITY OF ROLLA  
ROLLA, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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(Continued)

**Section II – Financial Statement Findings** (Continued)

2008-3 (Cont'd)

*Cause of Condition:* The Finance Department relies on the various departments who are engaged in construction type projects to account for the costs related to their projects. There is no reconciliation between the costs as reflected in the general ledger detail and the costs accumulated by the departments to ensure the amounts capitalized are accurate.

*Recommendation:* The project accounting performed by the Public Works department needs to be reconciled to the general ledger activity.

**Section III - Federal Award Findings and Questioned Costs**

**Compliance**

2008-2 *Condition:* The depreciation and replacement reserves required by the revolving fund loan program have not been established.

*Criteria:* The revolving fund loan program through the Department of Natural Resources includes a requirement for participants in the program to set funds aside specifically designated for depreciation and replacement of the system funded by the loan.

*Effect:* As a result of the City's interpretation of the reserve requirement, the City has not established a funding policy for the depreciation and replacement reserves and there are no funds set aside for the reserve requirement.

*Cause of Condition:* The City had previously interpreted that the reserve requirement for the depreciation and replacement reserve could be satisfied by annually maintaining the system and that if it was properly maintained there was no requirement to fund the reserve account.

*Recommendation:* We recommend the City set aside the necessary funds to be compliant. We further recommend the City set guidelines as to when and how the money can be used and set a cap on the maximum amount required to be set aside.

CITY OF ROLLA  
ROLLA, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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(Continued)

**Section IV – Prior Year Financial Statement Findings**

Internal Control

2007-1 The discussion for finding 2008-1 also applies to this finding.

2007-2 *Condition:* A prior period adjustment was required to report park land inadvertently left off the prior year schedule.

*Recommendation:* It was recommended a procedure be implemented to categorize the assets in the depreciation system in the same categories used in the general ledger system. This should assist in the reconciliation process.

*Current Status:* The recommendation was adopted, however, findings relating to capital asset reporting were noted at finding 2008-3.

2007-3 The discussion for finding 2008-2 also applies to this finding.

2007-4 *Condition:* Expenditures may not legally exceed budgeted appropriations at the fund level. The General Fund and the Airport Fund were not in compliance with this requirement.

*Recommendation:* It was recommended the City closely monitor budgets to eliminate excess expenditures over budgeted appropriations at the fund level.

*Current Status:* The recommendation was adopted. No similar findings were noted in the 2008 audit.