

**CITY OF ROLLA, MISSOURI**  
**BASIC FINANCIAL STATEMENTS**  
**Year Ended September 30, 2009**

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## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Council  
City of Rolla  
Rolla, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the City of Rolla, Missouri, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rolla, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the City of Rolla, Missouri, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and City Council  
City of Rolla  
Rolla, Missouri

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, budgetary comparison information, and schedules of funding progress are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rolla, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended September 30, 2009, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.  
February 17, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF ROLLA, MISSOURI  
SEPTEMBER 30, 2009**

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, 2009. Please read it in conjunction with the City's financial statements, which begin on page 15.

***Financial Highlights***

- The net assets of the City's governmental activities decreased by \$611,834 for the year as a result of current year activities. The net assets of the City's business activities decreased by \$254,261 for the year.
- The assets of the City exceeded its liabilities as of September 30, 2009, by \$94.5 million (net assets). Of this amount \$8 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$6.5 million.
- 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 2009, 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 2009 were \$16,701,266 compared to \$38,479,995 in fiscal year 2008. Overall, 47 new housing units were added in fiscal year 2009. Residential housing was adversely affected in the downturn in the national economy.
- The Street Department participated in an Energy Loan program and partnership with Batis Development for roadway improvements. With funding from DNR's Energy Loan program, traffic lights were converted to LED lights to reduce power consumption. The Partnership with Batis Development was to complete the street reconstruction of the first 600' of Ridgeview Dr. west of Hwy. 63 for the new Walgreen's development.
- The 2004 State Revolving Fund Cross-over Bond was completed in fiscal year 2009. In March 2009, the \$4.9 million payment was made and the last payment for the debt services obligation will be made in fiscal year 2012. As a result of the refunding, the City saved in excess of \$200,000 on interest and reduced the total payment term by two years.
- The Recreation Center completed its seventh full year of operations in 2009, achieving an 85% recapture rate. SplashZone ended the year with 108% recapture. Overall, revenues for the Center increased by 4% while expenditures increased by 1%. Revenues for SplashZone increased 1% while expenditures increased 4%.

***Using This Annual Report***

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF ROLLA, MISSOURI  
SEPTEMBER 30, 2009**

***Government-Wide Financial Statements***

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

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

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

***Fund Financial Statements***

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

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF ROLLA, MISSOURI  
SEPTEMBER 30, 2009**

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

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

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

***Government-Wide Financial Analysis***

**NET ASSETS**

The following table presents the condensed Statement of Net Assets for the City as of September 30, 2009 and 2008:

	Governmental Activities	Business-Type Activities	Total September 30, 2009	Total September 30, 2008
Current and other assets	\$ 7,819,387	\$ 6,161,692	\$ 13,981,079	\$ 20,690,616
Capital assets	81,073,654	24,253,597	105,327,251	108,441,805
TOTAL ASSETS	88,893,041	30,415,289	119,308,330	129,132,421
Long-term liabilities outstanding	11,802,434	8,982,512	20,784,946	27,251,794
Other liabilities	3,052,920	971,571	4,024,491	6,515,639
TOTAL LIABILITIES	14,855,354	9,954,083	24,809,437	33,767,433
Net assets:				
Invested in capital assets				
net of related debt	68,446,390	17,581,439	86,027,829	82,145,992
Restricted	251,130	185,547	436,677	9,207,587
Unrestricted	5,340,167	2,694,220	8,034,387	4,011,409
TOTAL NET ASSETS	\$ 74,037,687	\$ 20,461,206	\$ 94,498,893	\$ 95,364,988

Total net assets of the City decreased by \$866,095 for the year due to current year activity. Total liabilities for the City have decreased by \$8,957,996 due to the repayment of bond principal and capital lease principal. Capital assets for the governmental activities totaled \$81.1 million as of September 30, 2009.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF ROLLA, MISSOURI  
SEPTEMBER 30, 2009**

**CHANGE IN NET ASSETS**

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2009	Total Year Ended September 30, 2008
<b>REVENUES</b>				
Program Revenues				
Charges for services	\$ 2,499,947	\$ 4,846,300	\$ 7,346,247	\$ 7,617,061
Operating grants and contributions	625,384	-	625,384	544,445
Capital grants and contributions	327,274	10,355	337,629	587,631
General Revenues				
Property taxes	1,127,412	-	1,127,412	1,031,145
Sales taxes	9,167,637	-	9,167,637	9,403,579
Motor vehicle taxes	606,732	-	606,732	635,428
Payment in lieu of taxes	1,464,161	-	1,464,161	1,499,068
Other taxes	451,533	-	451,533	427,315
Franchise fees	983,172	-	983,172	1,518,171
Interest	169,871	258,951	428,822	549,144
Other revenue	95,021	1,889	96,910	363,768
Transfers	468,750	(468,750)	-	5,598
<b>TOTAL REVENUES</b>	<b>17,986,894</b>	<b>4,648,745</b>	<b>22,635,639</b>	<b>24,182,353</b>
<b>EXPENSES</b>				
General government and other	5,119,706	-	5,119,706	6,389,177
Public safety	5,577,237	-	5,577,237	4,433,068
Public works and maintenance	4,112,259	-	4,112,259	4,225,326
Recreation Center	2,140,117	-	2,140,117	2,083,896
Park	912,756	-	912,756	844,504
Airport	736,653	-	736,653	524,637
Sewer	-	2,094,392	2,094,392	1,871,968
Environmental services	-	2,547,440	2,547,440	2,603,689
<b>TOTAL EXPENSES</b>	<b>18,598,728</b>	<b>4,641,832</b>	<b>23,240,560</b>	<b>22,976,265</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ (611,834)</b>	<b>\$ 6,913</b>	<b>\$ (604,921)</b>	<b>\$ 1,206,088</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF ROLLA, MISSOURI  
SEPTEMBER 30, 2009**

***Governmental Activities***

Governmental activities decreased the net assets of the City by \$611,834. Tax revenues for the City were \$13.8 million, which represents 77% of the financing of these activities. Program revenues for the functions totaled \$3.5 million or 19% of the funding. The following table shows the cost of the City's programs as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

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

	Total Cost of Services	Net Cost of Services
General government and other	\$ 5,119,706	\$ 4,543,531
Public safety	5,577,237	4,761,895
Public works and maintenance	4,112,259	3,991,710
Recreation Center	2,140,117	734,513
Park	912,756	792,729
Airport	736,653	321,745
	\$ 18,598,728	\$ 15,146,123

***Business-Type Activities***

Business-type activities decreased the City's net assets by \$254,261. Last year the business-type activities increased \$213,743.

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

The combined fund balances of the City's governmental funds as of September 30, 2009, were \$6.6 million. The General Fund decreased by \$231,215. The Street Fund increased by \$591,377. The Recreation Center Fund decreased by \$4,657,058 due to payment of bond principal. The Park Fund increased by \$15,388. The Airport Fund decreased by \$728. The Cemetery Fund increased by \$19,128. The Park Land Reserve Fund decreased by \$13,831.

The General Fund budgeted an operating deficit in fiscal year 2009 in the amount of \$276,955 but ended the year with a deficit of \$231,215. After a 1.78% decrease in fiscal year 2008, sales tax receipts increased by 0.15% in 2009. The General Fund receives approximately 40% of its revenues from sales tax.

City Council established a goal of a General Fund Reserve Balance equal to 25% of the annual General Fund operating expenditures (\$2.18 million). The fund balance in the General Fund was \$1,937,660 at fiscal year end, or 24% at fiscal year end.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF ROLLA, MISSOURI  
SEPTEMBER 30, 2009**

From 2002 through September 30, 2009, the Fire Department received approval for a total of \$1,289,884 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 \$90,149 and will be expended in fiscal year 2010.

Revenues were budgeted to exceed expenditures by \$268,005 in the Street Fund in 2009 but ended with an increase of \$591,377. The Street Fund receives two ½ cent sales taxes (the Transportation Sales Tax and the Capital Improvement Sales Tax) and motor fuel taxes. Sales tax receipts grew 0.15% in fiscal year 2009.

The ½ cent Recreation Centre (Park) tax also increased 0.15%. Total operating revenues equaled \$1,239,757 and total operating expenditures at the Recreation Centre equaled \$1,465,092. Fiscal year 2009 was the seventh 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 85%. SplashZone achieved a 108% recapture rate in fiscal year 2009.

***General Fund Budgetary Highlights***

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

- The original revenue budget of \$9,033,905 was increased to \$9,113,905.
- The total original expenditures budget of \$9,654,830 was increased to \$9,694,610.

Budget adjustments were presented and approved by City Council. Budgeted revenues were \$52,322 above actual, and budgeted expenditures were \$11,043 above actual.

For fiscal year 2009, there were no year-end budget adjustments required.

***Capital Asset and Debt Administration***

**Capital Assets**

Capital assets of the governmental activities were \$81.1 million (net of accumulated depreciation) as of September 30, 2009. This represents a \$2.6 million decrease from the prior year due primarily to current year provisions for depreciation. Net capital assets for business-type activities was \$24.3 million as of September 30, 2009. This represents a decrease of \$484,122 from the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF ROLLA, MISSOURI  
SEPTEMBER 30, 2009**

**Debt**

Total debt of the governmental activities as of September 30, 2009, was \$13.8 million, which is down by \$6.3 million from the prior year due to current year principal payments.

Total debt of the business-type activities as of September 30, 2009, was \$6.8 million, which was down from the prior year by \$402,211 due to payments made on the City's capital leases and revenue bonds.

***Economic Factors and Next Year's Budget***

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

Economic Development – In fiscal year 2004 City Council entered into a five-year contract for services with Rolla Regional Economic Commission (RREC). That contract was extended in December, 2009 but contributions have been reduced from \$115,000 to \$105,000. In addition the City is working on the development of new commercial areas along I-44 including “Rolla West” and the Highway 72 extension and Kingshighway improvements. The City has entered into a partnership with MS&T, Phelps County, St. John's, RREC and PCRMC to share in the cost of due diligence for the long-term project.

Sales tax revenues increased 0.15% in fiscal year 2009. Staff will continue to monitor the situation closely, but anticipates sales tax growth of 1% in fiscal year 2010. Rolla has a solid economic base with a low unemployment rate, solid construction trends and sustained growth with healthcare, education (Missouri S&T) and Fort Leonard Wood. The loss of Briggs & Stratton continues to impact the local economy but new projects such as Walgreens, Kia Dealership, St. John's Medical facility, Benton Square and other downtown projects, and the MS&T Technology Park certainly pose significant strengths and opportunities.

The City's self-funded health insurance program ended calendar year 2009 with an employee contribution rate of 38.71%. This percentage is made up of premiums withheld from payroll, co-payments and deductibles paid by employees. Note: the employee contribution calculated from the internal service fund reported in this audit does not include the co-payments and deductibles paid by employees.

Planning for a new consolidated public services facility received only nominal effort in 2009. Property has been acquired behind the existing Recycling Center and a master plan is under development. The plan for this facility is to one day house the departments of Environmental Services, Vehicle Maintenance, Park Maintenance, Street and Animal Control.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF ROLLA, MISSOURI  
SEPTEMBER 30, 2009**

*Contacting the City's Financial Management*

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. Any questions regarding the report or request for additional information should be directed to the Finance Director, 102 W. 9<sup>th</sup> Street, P.O. Box 979, Rolla, Missouri 65401 (573-426-6948).

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

CITY OF ROLLA, MISSOURI  
STATEMENT OF NET ASSETS  
September 30, 2009

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Rolla Municipal Utilities
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 1,729,984	\$ 1,809,886	\$ 3,539,870	\$ 8,131,948
Investments - unrestricted	1,375,000	750,000	2,125,000	20,076,502
Taxes receivable, net	1,978,504	-	1,978,504	-
Utilities receivable, net	-	490,709	490,709	608,224
Other accounts receivable, net	50,793	-	50,793	1,332
Court fines receivable, net	25,305	-	25,305	-
Intergovernmental receivable	147,015	-	147,015	-
Accrued interest receivable	26,907	38,912	65,819	72,289
Inventory	31,219	-	31,219	994,884
Prepaid expenses	450,973	81,451	532,424	144,797
Restricted cash and cash equivalents	1,821,708	-	1,821,708	-
Restricted investments	-	2,880,843	2,880,843	-
Special assessments receivable	82,316	-	82,316	-
Deferred bond issuance costs	99,663	109,891	209,554	-
Capital Assets:				
Non-depreciable	12,152,607	949,909	13,102,516	926,962
Depreciable, net	68,921,047	23,303,688	92,224,735	26,963,032
<b>TOTAL ASSETS</b>	<b>88,893,041</b>	<b>30,415,289</b>	<b>119,308,330</b>	<b>57,919,970</b>
<b>LIABILITIES</b>				
<b>Current</b>				
Accounts payable	748,929	324,324	1,073,253	1,612,995
Accrued expenses	245,305	49,025	294,330	24,573
Deposits payable	-	-	-	1,221,999
Court bonds payable	4,503	-	4,503	-
Refundable permits	29,400	-	29,400	-
Accrued interest payable	56,969	83,723	140,692	43,257
Arbitrage payable	-	85,198	85,198	-
Current maturities of long-term debt	1,967,814	429,301	2,397,115	1,100,000
	3,052,920	971,571	4,024,491	4,002,824
<b>Noncurrent</b>				
Capital leases payable	2,988,671	13,320	3,001,991	16,440,000
Loans payable	147,719	-	147,719	-
General obligation bonds payable	7,523,060	-	7,523,060	-
Revenue bonds payable	-	6,229,537	6,229,537	-
Payable to other governments	-	2,610,098	2,610,098	-
Post employment benefit liability	237,100	-	237,100	-
Compensated absences payable	905,884	129,557	1,035,441	117,677
	11,802,434	8,982,512	20,784,946	16,557,677
<b>TOTAL LIABILITIES</b>	<b>14,855,354</b>	<b>9,954,083</b>	<b>24,809,437</b>	<b>20,560,501</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	68,446,390	17,581,439	86,027,829	24,087,358
Restricted for debt service	-	185,547	185,547	-
Restricted for cemetery	251,130	-	251,130	-
Unrestricted	5,340,167	2,694,220	8,034,387	13,272,111
<b>TOTAL NET ASSETS</b>	<b>\$ 74,037,687</b>	<b>\$ 20,461,206</b>	<b>\$ 94,498,893</b>	<b>\$ 37,359,469</b>

See accompanying notes.





CITY OF ROLLA, MISSOURI  
BALANCE SHEET – GOVERNMENTAL FUNDS  
September 30, 2009

	General Fund	Street Fund	Recreation Center Fund	Park Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 604,983	\$ 552,601	\$ 368,801	\$ 26,070	\$ 2,865	\$ 51,130	\$ 123,534	\$ 1,729,984
Investments	375,000	-	1,000,000	-	-	-	-	1,375,000
Taxes receivable, net	1,070,931	630,443	271,405	5,725	-	-	-	1,978,504
Other accounts receivable, net	13,736	6,953	-	-	3,533	-	-	24,222
Court fines receivable, net	25,305	-	-	-	-	-	-	25,305
Intergovernmental receivable	95,679	51,336	-	-	-	-	-	147,015
Accrued interest receivable	6,427	-	20,480	-	-	-	-	26,907
Inventory	-	-	-	-	31,219	-	-	31,219
Prepaid expenses	318,805	47,047	53,340	26,089	5,692	-	-	450,973
Special assessments receivable	82,316	-	-	-	-	-	-	82,316
Restricted cash and cash equivalents	33,903	-	1,587,805	-	-	200,000	-	1,821,708
<b>TOTAL ASSETS</b>	<b>\$ 2,627,085</b>	<b>\$ 1,288,380</b>	<b>\$ 3,301,831</b>	<b>\$ 57,884</b>	<b>\$ 43,309</b>	<b>\$ 251,130</b>	<b>\$ 123,534</b>	<b>\$ 7,693,153</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ 365,959	\$ 221,436	\$ 91,265	\$ 20,115	\$ 4,332	\$ -	\$ -	\$ 703,107
Accrued expenses	177,174	23,609	26,732	15,075	2,715	-	-	245,305
Court bonds payable	4,503	-	-	-	-	-	-	4,503
Refundable permits	29,400	-	-	-	-	-	-	29,400
Deferred revenue	112,389	5,496	-	4,635	-	-	-	122,520
<b>TOTAL LIABILITIES</b>	<b>689,425</b>	<b>250,541</b>	<b>117,997</b>	<b>39,825</b>	<b>7,047</b>	<b>-</b>	<b>-</b>	<b>1,104,835</b>
<b>Fund Balances</b>								
<b>Reserved for:</b>								
Inventory	-	-	-	-	31,219	-	-	31,219
Depreciation and replacement	-	-	1,587,805	-	-	-	-	1,587,805
Cemetery	-	-	-	-	-	200,000	-	200,000
<b>Unreserved, reported in:</b>								
<b>General Fund</b>								
Designated for health insurance	334,544	-	-	-	-	-	-	334,544
Designated for risk management	241,915	-	-	-	-	-	-	241,915
Undesignated	1,361,201	-	-	-	-	-	-	1,361,201
<b>Special Revenue Fund</b>								
Designated for health insurance	-	43,484	14,948	14,460	2,596	-	-	75,488
Designated for risk management	-	34,507	38,495	22,751	1,319	-	-	97,072
Undesignated, (deficit)	-	959,848	1,542,586	(19,152)	1,128	-	123,534	2,607,944
Permanent Fund	-	-	-	-	-	51,130	-	51,130
<b>TOTAL FUND BALANCES</b>	<b>1,937,660</b>	<b>1,037,839</b>	<b>3,183,834</b>	<b>18,059</b>	<b>36,262</b>	<b>251,130</b>	<b>123,534</b>	<b>6,588,318</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,627,085</b>	<b>\$ 1,288,380</b>	<b>\$ 3,301,831</b>	<b>\$ 57,884</b>	<b>\$ 43,309</b>	<b>\$ 251,130</b>	<b>\$ 123,534</b>	<b>\$ 7,693,153</b>

See accompanying notes.

CITY OF ROLLA, MISSOURI  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF  
NET ASSETS  
September 30, 2009

Fund balance - total governmental funds	\$ 6,588,318
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	116,648,578
Less accumulated depreciation	<u>(35,574,924)</u>
	81,073,654
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(56,969)
Adjustment of deferred revenue	122,520
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(13,770,248)
Unamortized debt issuance costs	99,663
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the statement of net assets	<u>(19,251)</u>
Net assets of governmental activities	<u><u>\$ 74,037,687</u></u>

See accompanying notes.

CITY OF ROLLA, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
Year Ended September 30, 2009

	General Fund	Street Fund	Recreation Center Fund	Park Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	Total Governmental Funds
<b>REVENUES</b>								
Taxes	\$ 7,472,702	\$ 4,190,830	\$ 1,833,754	\$ 211,849	\$ -	\$ -	\$ -	\$ 13,709,135
Licenses and permits	144,029	-	-	-	-	-	-	144,029
Intergovernmental revenues	1,086,234	64,471	-	-	192,769	-	-	1,343,474
Charges for services	48,936	23,989	1,400,336	119,821	242,986	21,450	-	1,857,518
Fines and forfeitures	212,874	-	-	-	-	-	-	212,874
Interest income	37,528	3,737	122,891	1,308	14	3,858	536	169,872
Miscellaneous	59,280	9,941	11,032	8,695	511	-	628	90,087
<b>TOTAL REVENUES</b>	<b>9,061,583</b>	<b>4,292,968</b>	<b>3,368,013</b>	<b>341,673</b>	<b>436,280</b>	<b>25,308</b>	<b>1,164</b>	<b>17,526,989</b>
<b>EXPENDITURES</b>								
Current								
Administrative	928,770	-	-	-	-	-	-	928,770
Administrator	360,387	-	-	-	-	-	-	360,387
Finance	443,884	-	-	-	-	-	-	443,884
Legal services	67,402	-	-	-	-	-	-	67,402
City court	109,935	-	-	-	-	-	-	109,935
911 telecommunications	769,952	-	-	-	-	-	-	769,952
Animal shelter	154,320	-	-	-	-	-	-	154,320
Police	2,833,534	-	-	-	-	-	-	2,833,534
Fire	2,428,802	-	-	-	-	-	-	2,428,802
Building maintenance	109,254	-	-	-	-	-	-	109,254
Engineering	710,389	-	-	-	-	-	-	710,389
Community development	516,506	-	-	-	-	-	-	516,506
Economic development	250,432	-	-	-	-	-	-	250,432
Public works	-	2,785,720	-	-	-	-	-	2,785,720
Recreation Center	-	-	1,731,102	-	-	-	-	1,731,102
Park	-	-	-	779,988	-	-	14,995	794,983
Airport	-	-	-	-	512,466	-	-	512,466
Debt Service								
Principal and interest	-	742,236	6,198,969	-	-	-	-	6,941,205
<b>TOTAL EXPENDITURES</b>	<b>9,683,567</b>	<b>3,527,956</b>	<b>7,930,071</b>	<b>779,988</b>	<b>512,466</b>	<b>-</b>	<b>14,995</b>	<b>22,449,043</b>

See accompanying notes.

CITY OF ROLLA, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)  
Year Ended September 30, 2009

	General Fund	Street Fund	Recreation Center Fund	Park Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	Total Governmental Funds
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(621,984)	765,012	(4,562,058)	(438,315)	(76,186)	25,308	(13,831)	(4,922,054)
OTHER FINANCING SOURCES (USES)								
Lease proceeds	-	176,365	-	-	-	-	-	176,365
Operating transfers in (out)	390,769	(350,000)	(95,000)	453,703	75,458	(6,180)	-	468,750
TOTAL OTHER FINANCING SOURCES (USES)	390,769	(173,635)	(95,000)	453,703	75,458	(6,180)	-	645,115
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(231,215)	591,377	(4,657,058)	15,388	(728)	19,128	(13,831)	(4,276,939)
FUND BALANCE, October 1	2,168,875	446,462	7,840,892	2,671	36,990	232,002	137,365	10,865,257
FUND BALANCE, September 30	<u>\$ 1,937,660</u>	<u>\$ 1,037,839</u>	<u>\$ 3,183,834</u>	<u>\$ 18,059</u>	<u>\$ 36,262</u>	<u>\$ 251,130</u>	<u>\$ 123,534</u>	<u>\$ 6,588,318</u>

See accompanying notes.

CITY OF ROLLA, MISSOURI  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 Year Ended September 30, 2009

Net change in fund balances - total governmental funds \$ (4,276,939)

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

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

Capital outlay	1,414,718
Depreciation	(3,621,323)
Disposal of capital assets, net	(423,826)
	<u>(2,630,431)</u>

Some revenues reported in the governmental funds represent current financial  
 resources and were recognized in the statement of activities when earned (8,845)

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

Loan proceeds	(176,365)
Repayment of principal on bonds, leases and loans	6,755,936
Issuance cost amortization	(13,928)
Change in accrued interest payable	31,363
	<u>6,597,006</u>

Some expenditures reported in the governmental funds represent the use of current  
 financial resources and were recognized in the statement of activities when incurred. (301,951)

Internal service funds are used by management to charge the costs of various  
 activities internally to individual funds. The net expense of certain activities  
 of the Internal Service Fund is reported with governmental activities. 9,326

Change in net assets of governmental activities \$ (611,834)

See accompanying notes.

CITY OF ROLLA, MISSOURI  
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS  
September 30, 2009

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 386,764	\$ 1,423,122	\$ 1,809,886	\$ -
Investments	-	750,000	750,000	-
Utilities receivable, net	244,341	246,368	490,709	-
Other accounts receivable	-	-	-	26,571
Accrued interest receivable	32,109	6,803	38,912	-
Prepaid expenses	24,849	56,602	81,451	-
<b>TOTAL CURRENT ASSETS</b>	<b>688,063</b>	<b>2,482,895</b>	<b>3,170,958</b>	<b>26,571</b>
Restricted Assets				
Investments	2,880,843	-	2,880,843	-
Deferred Bond Issuance Costs	109,891	-	109,891	-
Property, Plant and Equipment				
Land	279,246	670,663	949,909	-
Buildings	613,670	826,220	1,439,890	-
Sewer treatment plant	14,921,589	-	14,921,589	-
Sewer mains and lines	12,675,681	-	12,675,681	-
Manhole covers	1,459,701	-	1,459,701	-
Major moveable equipment	1,458,669	2,981,244	4,439,913	-
	31,408,556	4,478,127	35,886,683	-
Less accumulated depreciation	(9,169,147)	(2,463,939)	(11,633,086)	-
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>22,239,409</b>	<b>2,014,188</b>	<b>24,253,597</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>25,918,206</b>	<b>4,497,083</b>	<b>30,415,289</b>	<b>26,571</b>

See accompanying notes.

CITY OF ROLLA, MISSOURI  
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS (CONTINUED)  
September 30, 2009

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Accounts payable	63,511	260,813	324,324	45,822
Accrued expenses	15,725	33,300	49,025	-
Accrued interest payable	83,723	-	83,723	-
Arbitrage payable	85,198	-	85,198	-
Current maturities of long-term debt	429,301	-	429,301	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>677,458</b>	<b>294,113</b>	<b>971,571</b>	<b>45,822</b>
Long-Term Liabilities				
Capital leases payable	13,320	-	13,320	-
Revenue bonds payable	6,229,537	-	6,229,537	-
Payable to other governments	2,610,098	-	2,610,098	-
Compensated absences payable	36,024	93,533	129,557	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>8,888,979</b>	<b>93,533</b>	<b>8,982,512</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>9,566,437</b>	<b>387,646</b>	<b>9,954,083</b>	<b>45,822</b>
Net Assets				
Invested in capital assets, net of related debt	15,567,251	2,014,188	17,581,439	-
Restricted for debt service	185,547	-	185,547	-
Unrestricted	598,971	2,095,249	2,694,220	(19,251)
<b>TOTAL NET ASSETS</b>	<b>\$ 16,351,769</b>	<b>\$ 4,109,437</b>	<b>\$ 20,461,206</b>	<b>\$ (19,251)</b>

See accompanying notes.

CITY OF ROLLA, MISSOURI  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS  
Year Ended September 30, 2009

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,974,106	\$ 2,872,194	\$ 4,846,300	\$ -
Charges to other departments	-	-	-	1,240,420
Contributions - employees	-	-	-	557,072
<b>TOTAL OPERATING REVENUES</b>	<b>1,974,106</b>	<b>2,872,194</b>	<b>4,846,300</b>	<b>1,797,492</b>
<b>OPERATING EXPENSES</b>				
Personnel services	556,022	1,191,682	1,747,704	-
Contractual services	38,576	15,755	54,331	-
Repairs and maintenance	144,253	149,464	293,717	-
Supplies	102,128	186,206	288,334	-
Utilities	240,169	37,301	277,470	-
Insurance claims and expenses	34,457	71,331	105,788	1,788,166
Landfill	-	672,734	672,734	-
Depreciation	591,577	213,308	804,885	-
Miscellaneous	5,269	9,659	14,928	-
<b>TOTAL OPERATING EXPENSES</b>	<b>1,712,451</b>	<b>2,547,440</b>	<b>4,259,891</b>	<b>1,788,166</b>
<b>OPERATING INCOME</b>	<b>261,655</b>	<b>324,754</b>	<b>586,409</b>	<b>9,326</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Settlement	-	(261,174)	(261,174)	-
Interest income	218,447	40,504	258,951	-
Other revenue	-	1,889	1,889	-
Interest expense	(381,941)	-	(381,941)	-
Gain on sale of equipment	326	10,029	10,355	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(163,168)</b>	<b>(208,752)</b>	<b>(371,920)</b>	<b>-</b>
<b>INCOME BEFORE OPERATING TRANSFERS</b>	<b>98,487</b>	<b>116,002</b>	<b>214,489</b>	<b>9,326</b>
<b>OPERATING TRANSFERS (OUT)</b>	<b>(203,000)</b>	<b>(265,750)</b>	<b>(468,750)</b>	<b>-</b>
<b>NET INCOME (LOSS)</b>	<b>(104,513)</b>	<b>(149,748)</b>	<b>(254,261)</b>	<b>9,326</b>
<b>NET ASSETS, October 1</b>	<b>16,456,282</b>	<b>4,259,185</b>	<b>20,715,467</b>	<b>(28,577)</b>
<b>NET ASSETS, September 30</b>	<b>\$ 16,351,769</b>	<b>\$ 4,109,437</b>	<b>\$ 20,461,206</b>	<b>\$ (19,251)</b>

See accompanying notes.



CITY OF ROLLA, MISSOURI  
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
Year Ended September 30, 2009

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,957,047	\$ 2,882,874	\$ 4,839,921	\$ 1,810,897
Cash paid to suppliers	(574,047)	(1,011,696)	(1,585,743)	(1,810,897)
Cash paid to employees	(546,497)	(1,179,595)	(1,726,092)	-
Other cash received for nonoperating revenues	-	1,889	1,889	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	836,503	693,472	1,529,975	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Due (to) other governments	(2,277,816)	-	(2,277,816)	-
Operating transfer (out)	(203,000)	(265,750)	(468,750)	-
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(2,480,816)	(265,750)	(2,746,566)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of fixed assets	(34,612)	(307,309)	(341,921)	-
Proceeds from sale of fixed assets	326	31,187	31,513	-
Payment of bond principal	(360,000)	-	(360,000)	-
Payment of interest expense	(379,175)	-	(379,175)	-
Payment of principal on capital leases	(52,082)	-	(52,082)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(825,543)	(276,122)	(1,101,665)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on investments	246,783	40,621	287,404	-
Maturity of investments	2,277,816	350,000	2,627,816	-
Purchase of investments	(19,910)	-	(19,910)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,504,689	390,621	2,895,310	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>				
	34,833	542,221	577,054	-
CASH AND CASH EQUIVALENTS, Beginning of year	351,931	1,142,075	1,494,006	-
CASH AND CASH EQUIVALENTS, End of year	\$ 386,764	\$ 1,684,296	\$ 2,071,060	\$ -
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income	\$ 261,655	\$ 324,754	\$ 586,409	\$ 9,326
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	591,577	213,308	804,885	-
(Increase) decrease in:				
Utilities receivable	(17,059)	10,680	(6,379)	-
Other accounts receivable	-	-	-	13,405
Prepaid expenses	1,325	(4,138)	(2,813)	-
Increase (decrease) in:				
Accounts payable	3,123	134,892	138,015	(22,731)
Accrued expenses	2,441	4,563	7,004	-
Compensated absences	7,084	7,524	14,608	-
Arbitrage payable	(13,643)	-	(13,643)	-
Other cash paid for nonoperating expenses	-	(261,174)	(261,174)	-
Other cash received for nonoperating revenues	-	1,889	1,889	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 836,503	\$ 432,298	\$ 1,268,801	\$ -

See accompanying notes.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. In accordance with GASB-20 (Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting), the proprietary funds and similar trust funds apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, except those pronouncements that conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies.

### Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a financial burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Component Unit

Rolla Municipal Utilities was established by City Ordinance in 1944. Rolla Municipal Utilities is operated by a Board of Public Works, the members of which are appointed by the Mayor and approved by the City Council. 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, 2009, are available in their entirety at Rolla Municipal Utilities.

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

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

Government-Wide and Fund Financial Statements

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

*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

*FUND FINANCIAL STATEMENTS*

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

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

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another 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.

Recreation Center Fund: The Recreation Center 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 Park.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

The City reports the following major proprietary funds:

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

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

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

Capital Assets

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Primary Government**

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

**Rolla Municipal Utilities**

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

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

Pooled Cash and Cash Equivalents

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

Unreserved Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

**Primary Government**

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

**Rolla Municipal Utilities**

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

Compensated Absences

**Primary Government**

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

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Rolla Municipal Utilities**

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

Use of Estimates

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

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Financial Accounting Standards Board (FASB) Statement No. 62 - *Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

Revenue Recognition - Property Taxes

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

Deposits and Investments

**Primary Government**

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



NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Rolla Municipal Utilities**

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

Net Assets

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

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

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

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

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

Post-Employment Health Care Benefits

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

NOTE B – CASH AND CASH EQUIVALENTS

**Primary Government**

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2009, all bank balances on deposit are entirely insured or collateralized.

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE B – CASH AND CASH EQUIVALENTS (continued)

**Rolla Municipal Utilities**

State statutes require that the Utility’s deposits be insured or collateralized in the name of the Utility by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2009, all bank balances on deposit are entirely insured or collateralized with securities.

NOTE C – INVESTMENTS

**Primary Government**

Investments of the City as of September 30, 2009, are as follows:

Investment Type	Maturity	Amount
Certificates of Deposit	10/6/2009 - 3/10/2010	\$ 2,125,000
Fidelity Treasury Funds	N/A	85,198
Federated Prime Obligation Funds	N/A	37,886
Societe Generale	1/1/2019	256,550
CDC Funding Corporation	7/1/2021	52,758
Trinity Plus Funding Company	7/1/2021	2,446,768
U.S. Treasury Notes in State and Local Government Series (SLGS)	7/1/2020	1,683
		<u>\$ 5,005,843</u>

Certificates of Deposit

Certificates of deposit with maturities in excess of three months are classified as investments but are considered deposits for custodial risk determination. State statutes require that the Utility’s deposits be collateralized in the name of the Utility by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2009, all certificates of deposit are entirely insured or collateralized with securities.

NOTE C – INVESTMENTS (continued)

Fidelity Treasury Funds

The City has Fidelity Treasury Funds on deposit with United Missouri Bank, which are rated AAAM by Standard and Poor's. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in a trust account for the 1996E, 2000A, and 2006B State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds reserve accounts.

Federated Prime Obligation Funds

The City has Federated Prime Obligation Funds on deposit with United Missouri Bank, which are rated AAAM by Standard and Poor's. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in a trust account for the 2006B State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds reserve accounts.

Societe Generale

The City has Societe Generale Funds on deposit with United Missouri Bank, which are rated A+ by Standard and Poor's. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in a trust account for the 1996E State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds reserve accounts.

CDC Funding Corporation

The City has CDC Funding Corporation Funds on deposit with United Missouri Bank. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in a trust account for the 1996E and 2006B State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds reserve accounts.

Trinity Plus Funding Company

The City has Trinity Plus Funding Company Funds on deposit with United Missouri Bank, which are rated AA+ by Standard and Poor's. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in a trust account for the 2006B State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds reserve accounts.

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE C – INVESTMENTS (continued)

U.S. Treasury Notes (SLGS)

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

Interest Rate Risk

The City does not have a formal policy on interest rate risk.

**Rolla Municipal Utilities**

Investments of the Utility as of September 30, 2009, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of Deposit	12/1/2009 - 6/6/2010	\$ 6,339,138
Guaranteed Investment Contract	8/1/2011	<u>13,737,364</u>
		<u>\$ 20,076,502</u>

Certificates of Deposit

Certificates of deposit with maturities in excess of three months are classified as investments but are considered deposits for custodial risk determination. State statutes require that the Utility's deposits be collateralized in the name of the Utility by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2009, all certificates of deposit are entirely insured or collateralized with securities.

Guaranteed Investment Contract

Rolla Municipal Utilities has funds in a Guaranteed Investment Contract with Bayerische Landesbank Securities, which is rated BBB by Standard and Poor's. These deposits are held in a trust account with United Missouri Bank for the 2008A Missouri Association of Municipal Utilities Lease Program.

Interest Rate Risk

The Utilities does not have a formal policy on interest rate risk.

CITY OF ROLLA, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2009

NOTE D – ACCOUNTS RECEIVABLE

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

**Primary Government**

	Accounts Receivable	Allowance	Net Accounts Receivable
<b>TAXES RECEIVABLE</b>			
General Fund	\$ 1,075,981	\$ 5,050	\$ 1,070,931
Street Fund	630,443	-	630,443
Recreation Center Fund	271,405	-	271,405
Park Fund	5,725	-	5,725
	<u>\$ 1,983,554</u>	<u>\$ 5,050</u>	<u>\$ 1,978,504</u>
<b>UTILITIES RECEIVABLE</b>			
Sewer Fund	\$ 250,541	\$ 6,200	\$ 244,341
Environmental Services Fund	246,368	-	246,368
	<u>\$ 496,909</u>	<u>\$ 6,200</u>	<u>\$ 490,709</u>
<b>OTHER ACCOUNTS RECEIVABLE</b>			
General Fund			
Fines	\$ 103,618	\$ 78,313	\$ 25,305
Special assessments	82,316	-	82,316
Other	13,736	-	13,736
	199,670	78,313	121,357
Street Fund			
Other	6,953	-	6,953
Airport Fund			
Other	3,533	-	3,533
	<u>\$ 210,156</u>	<u>\$ 78,313</u>	<u>\$ 131,843</u>

**Rolla Municipal Utilities**

	Accounts Receivable	Allowance	Net Accounts Receivable
Accounts Receivable			
Utilities receivable	\$ 660,004	\$ 60,000	\$ 600,004
Refundable deposits	8,220	-	8,220
	<u>\$ 668,224</u>	<u>\$ 60,000</u>	<u>\$ 608,224</u>
Other Miscellaneous Receivables			
	<u>\$ 1,332</u>	<u>\$ -</u>	<u>\$ 1,332</u>

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE E – RESTRICTED CASH

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

	<u>Restricted Cash and Investments</u>	<u>Reserved Fund Balance/ Restricted Net Assets</u>
<b>GENERAL FUND</b>		
Court bonds	\$ 4,503	\$ -
Refundable permits	29,400	-
	<u>\$ 33,903</u>	<u>\$ -</u>
<b>RECREATION CENTER FUND</b>		
Depreciation and replacement	<u>\$ 1,587,805</u>	<u>\$ 1,587,805</u>
<b>CEMETERY FUND</b>		
Cemetery	<u>\$ 200,000</u>	<u>\$ 251,130</u>
<b>SEWER FUND</b>		
1996E Revenue Bonds		
Reserve account	\$ 230,300	\$ -
Rebate account	3,637	-
Debt service reserve	4,428	4,428
Principal and interest	27,933	27,933
2000A Revenue Bonds		
Reserve account	2,379,798	-
Rebate account	62,222	-
Principal and interest	115,300	115,300
2006B Revenue Bonds		
Rebate account	19,339	-
Principal and interest	37,886	37,886
	<u>\$ 2,880,843</u>	<u>\$ 185,547</u>

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

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

Capital Leases

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

On April 14, 2006, the City entered into a lease purchase agreement to finance the purchase of a street sweeper. The agreement requires annual payments of \$38,010, including interest at 4.16%.

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

On January 2, 2007, the City entered into a lease purchase agreement to finance the purchase of a Caterpillar backhoe. The agreement requires annual payments of \$14,689, including interest at 4.69%.

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

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

On June 11, 2007, the City entered into a lease purchase agreement to finance the purchase of two copy machines. The agreement requires annual lease payments of \$3,705, including interest at 11.684%.

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

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

CITY OF ROLLA, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2009

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

These lease agreements provide for cancellation of the leases on the annual renewal dates if the City should fail to appropriate funds. However, the City does not foresee exercising its options to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with Statement of Financial Accounting Standards 13, "Accounting for Leases".

The total annual minimum lease payments required at September 30, 2009, are as follows:

Year Ending September 30,	Under- Ground Storage Tank	Street Sweeper	City Hall Improvements	Caterpillar Backhoe	Fire Equipment	Fire Truck	Copy Machines	Forest Land	Dumptrucks and Loader	Total
2010	\$ 29,001	\$ 38,010	\$ 187,621	\$ 14,689	\$ 18,484	\$ 65,120	\$ 3,705	\$ 25,550	\$ 64,013	\$ 446,193
2011	29,001	-	187,621	10,753	18,484	65,120	3,705	25,550	64,013	404,247
2012	29,001	-	187,621	-	18,484	65,120	3,385	25,550	64,013	393,174
2013	-	-	187,621	-	-	65,120	-	25,550	-	278,291
2014	-	-	187,621	-	-	65,120	-	25,550	-	278,291
2015	-	-	187,621	-	-	65,120	-	25,550	-	278,291
2016	-	-	187,621	-	-	65,120	-	25,550	-	278,291
2017	-	-	187,621	-	-	65,120	-	25,550	-	278,291
2018	-	-	187,621	-	-	65,120	-	25,550	-	278,291
2019	-	-	187,621	-	-	-	-	25,550	-	213,171
2020	-	-	187,621	-	-	-	-	25,550	-	213,171
2021	-	-	187,621	-	-	-	-	25,550	-	213,171
2022	-	-	187,621	-	-	-	-	25,550	-	213,171
2023	-	-	187,621	-	-	-	-	25,550	-	213,171
2024	-	-	187,621	-	-	-	-	25,550	-	213,171
2025	-	-	93,811	-	-	-	-	25,550	-	119,361
2026	-	-	-	-	-	-	-	25,550	-	25,550
2027	-	-	-	-	-	-	-	25,550	-	25,550
TOTAL MINIMUM LEASE PAYMENTS	87,003	38,010	2,908,126	25,442	55,452	586,080	10,795	459,900	192,039	4,362,847
LESS AMOUNT REPRESENTING INTEREST	(8,388)	(1,518)	(800,912)	(1,600)	(4,557)	(97,223)	(1,683)	(136,455)	(13,043)	(1,065,379)
PRINCIPAL BALANCE, SEPTEMBER 30, 2009	<u>\$ 78,615</u>	<u>\$ 36,492</u>	<u>\$ 2,107,214</u>	<u>\$ 23,842</u>	<u>\$ 50,895</u>	<u>\$ 488,857</u>	<u>\$ 9,112</u>	<u>\$ 323,445</u>	<u>\$ 178,996</u>	<u>\$ 3,297,468</u>

Loan Obligations

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 to finance building improvements at the fire department. The agreement requires semi-annual payments of \$715, which includes interest of 3.2%.



CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

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

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
2010	\$ 1,377	\$ 53	\$ 1,430
2011	597	9	606
	<u>\$ 1,974</u>	<u>\$ 62</u>	<u>\$ 2,036</u>

On November 6, 2008, the City entered into a loan agreement with the Missouri Department of Natural Resources in the amount of \$26,365 to finance LED traffic lights. The agreement requires semi-annual payments of \$4,137, including interest of 3.75%.

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
2010	\$ 7,640	\$ 633	\$ 8,273
2011	7,929	344	8,273
2012	3,203	60	3,263
	<u>\$ 18,772</u>	<u>\$ 1,037</u>	<u>\$ 19,809</u>

During 2009, the City entered into a Development agreement with Batis Development Company (“Developer”) and Walgreen Co. “Developer” proposed to construct a new development, including a new building which, upon completion will be purchased and operated as a retail pharmacy by Walgreens. The City proposed to complete various street improvements and “Developer” has agreed to incur significant costs towards these improvements which will become public improvements belonging to the City. The City agreed to provide all engineering and construction services, necessary equipment and other services and construction materials necessary to complete the improvements with the exception of a flat contribution of \$150,000 to be contributed by “Developer”. The agreement states the City will reimburse Walgreens for the “Developer” contribution, plus carried interest of 4% annually; however the total amount of the reimbursement shall not exceed \$170,000. The City’s obligation to reimburse Walgreens shall not extend beyond five years from the closing date of the Walgreen acquisition of the property from “Developer”. Revenues generated by the increased sales tax, property tax, and other tax revenue attributable to the development will be collected by the City to provide for retirement of the debt. The City will make quarterly payments, with the first payment to be calculated three months after Walgreens opens for business and payable to Walgreens within thirty days thereafter. Five year maturities for principal and interest are not presented since the future revenue from the incremental increase in revenues and principal payments will vary from year to year. As of September 30, 2009, the total outstanding balance on the loan is \$135,990.

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

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

General Obligation Bonds

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

\$ 3,880,000

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
2010	\$ 1,250,000	\$ 103,340	\$ 1,353,340
2011	1,300,000	61,140	1,361,140
2012	1,330,000	18,620	1,348,620
	<u>\$ 3,880,000</u>	<u>\$ 183,100</u>	<u>\$ 4,063,100</u>

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

\$ 5,230,000

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
2010	\$ 400,000	\$ 203,681	\$ 603,681
2011	440,000	188,431	628,431
2012	450,000	171,181	621,181
2013	465,000	152,881	617,881
2014	500,000	134,081	634,081
2015	530,000	113,982	643,982
2016	560,000	92,182	652,182
2017	595,000	68,709	663,709
2018	625,000	42,766	667,766
2019	665,000	14,547	679,547
	<u>\$ 5,230,000</u>	<u>\$ 1,182,441</u>	<u>\$ 6,412,441</u>

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

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

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

	Balance September 30, 2008	Additions	Retirements	Balance September 30, 2009
Capital Lease Obligations	\$ 3,708,322	\$ -	\$ 410,854	\$ 3,297,468
Loan Obligations	3,308	176,365	22,937	156,736
General Obligation Bonds	15,420,000	-	6,310,000	9,110,000
Premium on Bonds	75,205	-	12,145	63,060
	15,495,205	-	6,322,145	9,173,060
Post-employment Benefit Liability	-	237,100	-	237,100
Compensated Absences	841,033	64,851	-	905,884
TOTAL	<u>\$ 20,047,868</u>	<u>\$ 478,316</u>	<u>\$ 6,755,936</u>	<u>\$ 13,770,248</u>

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

**Primary Government**

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

Capital Leases

On July 7, 2006, the City entered into a lease purchase agreement to finance the purchase of a backhoe. The agreement requires annual payments of \$13,874, including interest at 6.49%.

On November 22, 2006, the City entered into a lease purchase agreement to finance the purchase of a jet vac. The agreement requires annual payments of \$43,294, including interest of 6.6923%.

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

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

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

The total annual minimum lease payments required at September 30, 2009, are as follows:

<u>Year Ended September, 30</u>	<u>Backhoe</u>	<u>Jet Vac</u>	<u>Total</u>
2010	\$ 13,874	\$ 43,294	\$ 57,168
2011	13,874	-	13,874
TOTAL MINIMUM LEASE PAYMENTS	27,748	43,294	71,042
LESS AMOUNT REPRESENTING INTEREST	(1,640)	(1,781)	(3,421)
PRINCIPAL BALANCE SEPTEMBER 30, 2009	<u>\$ 26,108</u>	<u>\$ 41,513</u>	<u>\$ 67,621</u>

1996E Wastewater System Revenue Bonds

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

The annual debt service requirements to amortize the principal on the 1996E revenue bonds outstanding at September 30, 2009, are listed in the following table:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
2010	\$ 35,000	\$ 16,445	\$ 2,349	\$ 53,794
2011	35,000	14,607	2,099	51,706
2012	39,000	12,646	1,849	53,495
2013	40,000	10,552	1,571	52,123
2014	40,000	8,432	1,285	49,717
2015	45,000	6,180	1,000	52,180
2016	45,000	3,806	678	49,484
2017	50,000	1,313	357	51,670
	<u>\$ 329,000</u>	<u>\$ 73,981</u>	<u>\$ 11,188</u>	<u>\$ 414,169</u>

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

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

2000A Wastewater System Revenue Bonds

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

The annual debt service requirements to amortize the principal on the 2000A revenue bonds outstanding at September 30, 2009, are listed in the following table:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2010	\$ 235,000	\$ 186,899	\$ 24,240	\$ 446,139
2011	245,000	174,914	22,562	442,476
2012	260,000	162,358	20,813	443,171
2013	275,000	148,838	18,957	442,795
2014	285,000	134,263	16,993	436,256
2015	305,000	117,875	14,958	437,833
2016	320,000	100,337	12,781	433,118
2017	340,000	82,737	10,496	433,233
2018	355,000	63,867	8,068	426,935
2019	375,000	43,987	5,534	424,521
2020	400,000	22,800	2,856	425,656
	<u>\$ 3,395,000</u>	<u>\$ 1,238,875</u>	<u>\$ 158,258</u>	<u>\$ 4,792,133</u>

2006B Sewerage System Revenue Bonds

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

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

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

The annual debt service requirements to amortize the principal on the 2006B revenue bonds outstanding at September 30, 2009, are listed in the following table:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2010	\$ 105,000	\$ 123,688	\$ 14,420	\$ 243,108
2011	110,000	119,488	13,879	243,367
2012	115,000	115,088	13,313	243,401
2013	120,000	110,488	12,721	243,209
2014	125,000	105,688	12,103	242,791
2015	130,000	100,688	11,459	242,147
2016	135,000	95,488	10,789	241,277
2017	140,000	90,088	10,094	240,182
2018	150,000	83,088	9,376	242,464
2019	155,000	77,087	8,601	240,688
2020	160,000	70,887	7,802	238,689
2021	165,000	64,487	6,978	236,465
2022	175,000	56,237	6,129	237,366
2023	185,000	47,487	5,227	237,714
2024	195,000	38,237	4,275	237,512
2025	200,000	28,487	3,270	231,757
2026	215,000	18,487	2,240	235,727
2027	220,000	9,350	1,133	230,483
	<u>\$ 2,800,000</u>	<u>\$ 1,354,538</u>	<u>\$ 153,809</u>	<u>\$ 4,308,347</u>

Changes in Long-Term Debt - Enterprise Funds

The following table is a summary of the changes in the Enterprise Fund long-term debt for the year ended September 30, 2009:

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

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

	Balance September 30, 2008	Additions	Retirements	Balance September 30, 2009
Capital Lease Obligations	\$ 119,703	\$ -	\$ 52,082	\$ 67,621
Revenue Bonds	6,884,000	-	360,000	6,524,000
Premium on bonds	85,275	-	4,738	80,537
	6,969,275	-	364,738	6,604,537
Compensated Absences	114,948	14,609	-	129,557
TOTAL	<u>\$ 7,203,926</u>	<u>\$ 14,609</u>	<u>\$ 416,820</u>	<u>\$ 6,801,715</u>

**Rolla Municipal Utilities**

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 \$590,000.

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 \$100,000.

Rolla Municipal Utilities entered into a lease purchase agreement during the year ended September 30, 2009, for construction of electric power substation, purchase transmission lines and related equipment. The lease agreement calls for varying monthly principal payments through fiscal 2029 with interest at 3.885%. Current maturity of lease principal is \$410,000.

These lease purchase agreements provide for cancellation of the leases if the Utility should fail to appropriate funds on the annual renewal dates. However, the Utility does not foresee exercising its right to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with Statement of Financial Accounting Standards 13, "Accounting for Leases".

CITY OF ROLLA, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2009

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

The total annual minimum lease payments required at September 30, 2009, are as follows:

Year Ended September, 30	Generation Project	Water Towers	Electric Substation	Total
2010	\$ 608,708	\$ 184,000	\$ 955,071	\$ 1,747,779
2011	-	189,301	1,091,432	1,280,733
2012	-	184,498	1,093,105	1,277,603
2013	-	189,197	1,094,748	1,283,945
2014	-	183,944	1,096,786	1,280,730
2015	-	188,356	1,097,895	1,286,251
2016	-	187,568	1,099,215	1,286,783
2017	-	186,278	1,100,423	1,286,701
2018	-	185,038	1,102,850	1,287,888
2019	-	183,414	1,104,251	1,287,665
2020	-	186,526	1,106,665	1,293,191
2021	-	184,292	1,108,862	1,293,154
2022	-	186,729	1,110,096	1,296,825
2023	-	193,624	1,113,137	1,306,761
2024	-	-	1,113,998	1,113,998
2025	-	-	1,116,565	1,116,565
2026	-	-	1,120,899	1,120,899
2027	-	-	1,122,842	1,122,842
2028	-	-	1,124,412	1,124,412
2029	-	-	283,085	283,085
TOTAL MINIMUM LEASE PAYMENTS	608,708	2,612,765	21,156,337	24,377,810
LESS AMOUNT REPRESENTING INTEREST	(18,708)	(662,765)	(6,156,337)	(6,837,810)
PRINCIPAL BALANCE SEPTEMBER 30, 2009	<u>\$ 590,000</u>	<u>\$ 1,950,000</u>	<u>\$ 15,000,000</u>	<u>\$ 17,540,000</u>

The following table is a summary of the changes in the Utility's long-term debt for the year ended September 30, 2009:

Leases Payable, October 1	\$ 3,380,000
Additions	15,000,000
Deletions	(840,000)
Leases Payable, September 30	<u>\$ 17,540,000</u>



CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009, was as follows:

**Primary Government**

	Balance September 30, 2008	Additions	Deletions	Balance September 30, 2009
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 12,017,524	\$ 135,083	\$ -	\$ 12,152,607
Construction in progress	413,319	-	413,319	-
Total Non-depreciable Capital Assets	12,430,843	<u>\$ 135,083</u>	<u>\$ 413,319</u>	12,152,607
Depreciable Capital Assets:				
Building and improvements	23,515,920	\$ 526,303	\$ -	24,042,223
Machinery and equipment	8,907,163	219,082	248,284	8,877,961
Infrastructure	71,041,537	534,250	-	71,575,787
Total Depreciable Capital Assets	103,464,620	<u>\$ 1,279,635</u>	<u>\$ 248,284</u>	104,495,971
Less Accumulated Depreciation				
Buildings and improvements	6,718,829	\$ 963,831	\$ -	7,682,660
Machinery and equipment	5,110,581	683,022	237,777	5,555,826
Infrastructure	20,361,968	1,974,470	-	22,336,438
Total Accumulated Depreciation	32,191,378	<u>\$ 3,621,323</u>	<u>\$ 237,777</u>	35,574,924
Total Depreciable Capital Assets, Net	<u>71,273,242</u>			<u>68,921,047</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 83,704,085</u>			<u>\$ 81,073,654</u>

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE H – CAPITAL ASSETS (continued)

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

Administrative	\$ 155,490
Administrator	2,395
Finance	19,984
City court	1,276
911 telecommunications	10,775
Animal shelter	6,775
Police	144,069
Fire	330,081
Building maintenance	757
Engineering	16,885
Community development	5,874
Public works	2,068,458
Recreation	427,136
Park	174,437
Airport	252,662
Cemetery	4,269
	<u>\$ 3,621,323</u>

	Balance September 30, 2008	Additions	Deletions	Balance September 30, 2009
Business-Type Activities				
Sewer				
Non-depreciable Capital Assets:				
Land	\$ 279,246	\$ -	\$ -	\$ 279,246
Depreciable Capital Assets:				
Buildings	613,670	\$ -	\$ -	613,670
Equipment	1,446,315	26,338	13,984	1,458,669
Sewer collection system	29,048,697	8,274	-	29,056,971
Total Depreciable Capital Assets	31,108,682	\$ 34,612	\$ 13,984	31,129,310
Less Accumulated Depreciation				
Buildings	559,725	\$ 7,460	\$ -	567,185
Equipment	4,251,931	229,590	13,984	4,467,537
Sewer collection system	3,779,898	354,527	-	4,134,425
Total Accumulated Depreciation	8,591,554	\$ 591,577	\$ 13,984	9,169,147
Depreciable Capital Assets, Net	22,517,128			21,960,163

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2008	Additions	Deletions	Balance September 30, 2009
Environmental Services				
Non-depreciable Capital Assets:				
Land	670,663	\$ -	\$ -	670,663
Depreciable Capital Assets:				
Buildings	768,159	\$ 58,061	\$ -	826,220
Equipment	2,908,871	249,248	176,875	2,981,244
Total Depreciable Capital Assets	3,677,030	\$ 307,309	\$ 176,875	3,807,464
Less Accumulated Depreciation				
Buildings	537,594	\$ 18,201	\$ -	555,795
Equipment	1,868,754	195,107	155,717	1,908,144
Total Accumulated Depreciation	2,406,348	\$ 213,308	\$ 155,717	2,463,939
Depreciable Capital Assets, Net	1,270,682			1,343,525
Total Capital Assets - Business-Type Activities, Net	\$ 24,737,719			\$ 24,253,597

**Rolla Municipal Utilities**

	Balance September 30, 2008	Additions	Deletions	Balance September 30, 2009
Business-Type Activities				
Non-Depreciable Capital assets:				
Land and easements	\$ 833,692	\$ 93,270	\$ -	\$ 926,962
Depreciable Capital Assets:				
Buildings and Improvements	3,924,781	\$ 90,541	\$ 2,063	4,013,259
Office furniture, fixtures and equipment	905,962	26,785	28,502	904,245
Transportation equipment	1,351,731	-	-	1,351,731
Distribution system	36,479,927	2,825,172	242,526	39,062,573
Production system	7,864,661	-	-	7,864,661
Total Depreciable Capital Assets	50,527,062	\$ 2,942,498	\$ 273,091	53,196,469

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2008	Additions	Deletions	Balance September 30, 2009
Less Accumulated Depreciation for:				
Buildings and improvements	2,547,195	\$ 98,167	\$ 2,063	2,643,299
Office furniture, fixtures & equipment	707,009	76,017	28,501	754,525
Transportation equipment	915,235	84,054	-	999,289
Distribution system	17,278,122	1,277,550	185,691	18,369,981
Production system	3,083,678	382,665	-	3,466,343
Total Accumulated Depreciation	<u>24,531,239</u>	<u>\$ 1,918,453</u>	<u>\$ 216,255</u>	<u>26,233,437</u>
Total Depreciable Capital Assets, net	<u>25,995,823</u>			<u>26,963,032</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 26,829,515</u>			<u>\$ 27,889,994</u>

NOTE I – EMPLOYEE PENSION PLAN

Plan Description

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

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

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE I – EMPLOYEE PENSION PLAN (continued)

**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 12.1% (general), 6.9% (police) and 15.1% (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 2009, the political subdivision's annual pension cost of \$785,159 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2007, and/or February 29, 2008, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions 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 for males 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 28, 2009, was 15 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/07	\$ 736,918	100%	\$ -
06/30/08	747,333	100%	-
06/30/09	785,159	100%	-

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE I – EMPLOYEE PENSION PLAN (continued)

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/28/09	\$ 12,481,126	\$ 14,508,195	\$ 2,027,069	86%	\$ 7,285,674	28%
02/28/09#	12,481,126	15,886,229	3,405,103	79%	7,285,674	47%

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

**Rolla Municipal Utilities**

Funding Status

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 13.8% (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 2009, the political subdivision's annual pension cost of \$264,805 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2007 and/or February 29, 2008 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2009, 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, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back zero years for men and zero 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 28, 2009, was 15 years.

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE I – EMPLOYEE PENSION PLAN (continued)

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/07	\$ 224,334	100%	\$ -
6/30/08	550,219	100%	-
6/30/09	264,805	100%	-

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/28/09	\$ 4,856,351	\$ 7,637,962	\$ 2,781,611	64%	\$ 2,147,290	130%

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

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

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

	2008
Assessed Valuation	
Real estate	\$ 190,212,087
Personal property	40,442,673
<b>TOTAL</b>	<b>\$ 230,654,760</b>

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

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

	<u>2008</u>
Tax Rate Per \$100 of Assessed Valuation	
General levy	\$ .4454
Library levy	.1858
Park levy	<u>.1097</u>
TOTAL	<u>\$ .7409</u>

The legal debt margin at September 30, 2009, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional debt limit	\$ 23,065,476	\$ 23,065,476	\$ 46,130,952
General Obligation Bonds payable	<u>(9,110,000)</u>	<u>(9,110,000)</u>	<u>(18,220,000)</u>
LEGAL DEBT MARGIN	<u>\$ 13,955,476</u>	<u>\$ 13,955,476</u>	<u>\$ 27,910,952</u>

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

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

NOTE K – DEFERRED REVENUE

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred revenues include special assessments to be collected over several years and other receivables. All of the deferred revenue at September 30, 2009, is accounted for as follows:



CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE K – DEFERRED REVENUE (continued)

GENERAL FUND

Special assessments	\$ 75,174
Business licenses	7,231
Court fines	11,444
Taxes	18,540
	<u>\$ 112,389</u>

STREET FUND

Taxes	<u>\$ 5,496</u>
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PARK FUND

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

**Primary Government**

At September 30, 2009, the City was committed to Donald Maggi, Inc. in the amount of \$288,230 for street improvements. The City was also committed to Rolla Asphalt, LLC in the amount of \$199,375 for street improvements.

Landfill Closing Obligation

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

NOTE L – COMMITMENTS (continued)

**Rolla Municipal Utilities**

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

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

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

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

CITY OF ROLLA, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2009

NOTE L – COMMITMENTS (continued)

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

The net power cost charges by MoPEP to RMU for the year ended September 30, 2009, was \$20,134,869.

NOTE M – RISK MANAGEMENT

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

NOTE N – DEFERRED BOND ISSUE COSTS

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

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

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

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE N – DEFERRED BOND ISSUE COSTS (continued)

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

	Total Bond Issue Costs	Accumulated Amortization September 30, 2008	Current Amortization	Net Bond Issue Costs
Business-Type Activities	<u>\$ 164,794</u>	<u>\$ 46,663</u>	<u>\$ 8,240</u>	<u>\$ 109,891</u>
Governmental Activities	<u>\$ 197,715</u>	<u>\$ 84,124</u>	<u>\$ 13,928</u>	<u>\$ 99,663</u>

NOTE O – SELF INSURANCE

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

The cash transactions of the health care plan are accounted for in the Self-Insurance Health Fund, and internal service fund. At September 30, 2009, the estimated obligation of health claims based on claims filed prior to, but not yet paid, as of year-end, claims incurred during the year but filed subsequent to year-end, and an additional amount for incurred but not reported claims based on prior experience was \$45,822. Changes in estimated benefit obligation during the past year are as follows:

Estimated Benefit Obligation, beginning of year	\$ 68,553
Claims incurred	1,522,942
Claims paid	<u>(1,545,673)</u>
Estimated Benefit Obligation, end of year	<u>\$ 45,822</u>

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE P – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2009, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,000,769	\$ 610,000
Street Fund	-	350,000
Recreation Center Fund	-	95,000
Park Fund	461,180	7,477
Airport Fund	155,000	79,542
Cemetery Fund	-	6,180
Sewer Fund	-	203,000
Environmental Services Fund	-	265,750
	<u>\$ 1,616,949</u>	<u>\$ 1,616,949</u>

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

NOTE Q – POSTEMPLOYMENT HEALTH CARE PLAN

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

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

CITY OF ROLLA, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2009

NOTE Q – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

*Annual OPEB Cost and Net OPEB Obligation* – The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB-45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City’s annual OPEB cost for the year ended September 30, 2009:

ARC	\$ 237,100
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	<u><u>\$ 237,100</u></u>

The change in net OPEB obligation was as follows:

Balance September 30, 2008	Annual OPEB Cost	Employer Contributions	Balance September 30, 2009
Net OPEB Obligation			Net OPEB Obligation
<u>\$ -</u>	<u>\$ 237,100</u>	<u>\$ -</u>	<u>\$ 237,100</u>

*Funding Status and Funding Progress* – As a pay-as-you-go plan, the plan was 0% funded at September 30, 2009.

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

NOTE Q – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

*Actuarial Methods and Assumptions* – The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. In the 2009 actuarial valuation, the projected unit credit cost method was used, and the interest rate used for discounting liabilities was 4.0%. The actuarial valuation assumed a medical premium inflation rate based on long term health care trends generated by the Getzen Model. The medical premium inflation rate was 7.90% for 2009, with annual rate reductions to an ultimate rate of 4.4% in 2060. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of 30 years, and the valuation assumed that 40% of all future retirees will elect medical coverage.

NOTE R – RELATED PARTY TRANSACTIONS

Rolla Municipal Utilities provides water and electric services to the City of Rolla. It also provides billing and collection services to the City for PILOT, sewer and sanitation services. The City of Rolla paid RMU a total of \$143,733 in FY 2009 for billing services. The City paid RMU \$704,228 in FY 2009 for water and electric services.

NOTE S – RELATED ORGANIZATIONS

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

**REQUIRED SUPPLEMENTARY INFORMATION**



CITY OF ROLLA, MISSOURI  
SCHEDULE OF FUNDING PROGRESS  
Year Ended September 30, 2009

**Missouri Local Government Employees Retirement System (LAGERS)**

**Primary Government**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded (Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/28/07	\$ 14,013,173	\$ 13,418,659	\$ (594,514)	104%	\$ 6,387,302	0%
02/29/08	14,925,342	14,146,563	(778,779)	106%	6,769,256	0%
02/28/09	12,481,126	14,508,195	2,027,069	86%	7,285,674	28%
02/28/09#	12,481,126	15,886,229	3,405,103	79%	7,285,674	47%

**Rolla Municipal Utilities**

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
02/28/07	\$ 5,531,865	\$ 5,865,329	\$ 333,464	94%	\$ 2,022,810	16%
02/29/08	6,720,041	6,355,347	(364,694)	106%	2,169,266	(17%)
02/28/09	4,856,351	7,637,962	2,781,611	64%	2,147,290	130%

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, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes				
Ad valorem taxes	\$ 847,000	\$ 847,000	\$ 846,838	\$ (162)
City sales tax	3,787,500	3,787,500	3,667,812	(119,688)
Financial institution tax	6,000	6,000	5,545	(455)
Railroad and utility tax	10,000	10,000	7,975	(2,025)
Special assessments	1,100	1,100	1,619	519
Utility franchise tax	930,000	930,000	983,172	53,172
Motor vehicle tax	103,000	93,000	81,973	(11,027)
Payment in lieu of taxes	1,614,000	1,618,000	1,464,161	(153,839)
Lodging tax	275,000	275,000	281,651	6,651
Cigarette tax	143,000	143,000	131,956	(11,044)
	<u>7,716,600</u>	<u>7,710,600</u>	<u>7,472,702</u>	<u>(237,898)</u>
Licenses and Permits				
Occupational licenses	53,000	53,000	47,239	(5,761)
Building permits	70,000	60,000	72,311	12,311
Other	38,850	38,850	24,479	(14,371)
	<u>161,850</u>	<u>151,850</u>	<u>144,029</u>	<u>(7,821)</u>
Intergovernmental Revenues				
Landfill	6,800	12,800	13,189	389
RREC	130,000	130,000	103,971	(26,029)
Grants	295,155	320,155	448,374	128,219
Other	422,500	467,500	520,700	53,200
	<u>854,455</u>	<u>930,455</u>	<u>1,086,234</u>	<u>155,779</u>
Charges for Services				
Fire dues and assessments	48,300	48,300	48,936	636
Fines and Forfeitures				
City court fines	152,000	172,000	205,934	33,934
Police training fees	3,300	3,300	6,940	3,640
	<u>155,300</u>	<u>175,300</u>	<u>212,874</u>	<u>37,574</u>
Miscellaneous				
Lease and rent income	14,000	14,000	16,820	2,820
Interest income	40,000	40,000	37,528	(2,472)
Animal shelter	12,500	12,500	14,528	2,028
Other	30,900	30,900	27,932	(2,968)
	<u>97,400</u>	<u>97,400</u>	<u>96,808</u>	<u>(592)</u>
<b>TOTAL REVENUES</b>	<b>9,033,905</b>	<b>9,113,905</b>	<b>9,061,583</b>	<b>(52,322)</b>

CITY OF ROLLA, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)  
 Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	950,845	955,625	928,770	26,855
Administrator	359,255	359,255	360,387	(1,132)
Finance	410,100	425,100	443,884	(18,784)
Legal services	73,800	73,800	67,402	6,398
City court	105,320	105,320	109,935	(4,615)
911 telecommunications	783,780	783,780	769,952	13,828
Animal shelter	163,535	158,535	154,320	4,215
Police	2,667,805	2,707,805	2,833,534	(125,729)
Fire	2,444,420	2,432,420	2,428,802	3,618
Building maintenance	97,200	97,200	109,254	(12,054)
Engineering	714,242	714,242	710,389	3,853
Community development	529,468	536,468	516,506	19,962
Economic development	355,060	345,060	250,432	94,628
TOTAL EXPENDITURES	<u>9,654,830</u>	<u>9,694,610</u>	<u>9,683,567</u>	<u>11,043</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(620,925)	(580,705)	(621,984)	(41,279)
OTHER FINANCING SOURCES (USES)				
Lease proceeds	115,000	-	-	-
Operating transfers in	913,750	913,750	1,000,769	87,019
Operating transfers (out)	(610,000)	(610,000)	(610,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>418,750</u>	<u>303,750</u>	<u>390,769</u>	<u>87,019</u>
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(202,175)	(276,955)	(231,215)	45,740
FUND BALANCE, October 1	<u>2,472,364</u>	<u>2,168,875</u>	<u>2,168,875</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 2,270,189</u>	<u>\$ 1,891,920</u>	<u>\$ 1,937,660</u>	<u>\$ 45,740</u>

CITY OF ROLLA, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – STREET FUND  
 Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes	\$ 4,334,250	\$ 4,334,250	\$ 4,190,830	\$ (143,420)
Intergovernmental revenues	260,000	260,000	64,471	(195,529)
Charges for services	365,000	365,000	23,989	(341,011)
Interest income	10,000	10,000	3,737	(6,263)
Miscellaneous	22,000	22,000	9,941	(12,059)
<b>TOTAL REVENUES</b>	<b>4,991,250</b>	<b>4,991,250</b>	<b>4,292,968</b>	<b>(698,282)</b>
<b>EXPENDITURES</b>				
Current				
Street	2,080,834	2,080,834	2,009,263	71,571
Capital improvements	1,560,437	1,560,437	776,457	783,980
Debt service				
Principal and interest	732,974	732,974	742,236	(9,262)
<b>TOTAL EXPENDITURES</b>	<b>4,374,245</b>	<b>4,374,245</b>	<b>3,527,956</b>	<b>846,289</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>617,005</b>	<b>617,005</b>	<b>765,012</b>	<b>148,007</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease proceeds	-	-	176,365	176,365
Operating transfers (out)	(350,000)	(350,000)	(350,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(350,000)</b>	<b>(350,000)</b>	<b>(173,635)</b>	<b>176,365</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</b>	<b>267,005</b>	<b>267,005</b>	<b>591,377</b>	<b>324,372</b>
FUND BALANCE, October 1	271,084	446,462	446,462	-
FUND BALANCE, September 30	<u>\$ 538,089</u>	<u>\$ 713,467</u>	<u>\$ 1,037,839</u>	<u>\$ 324,372</u>

CITY OF ROLLA, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – RECREATION CENTER FUND  
 Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,893,750	\$ 1,893,750	\$ 1,833,754	\$ (59,996)
Charges for services	1,429,000	1,429,000	1,400,336	(28,664)
Interest income	228,000	228,000	122,891	(105,109)
Miscellaneous	4,000	4,000	11,032	7,032
TOTAL REVENUES	<u>3,554,750</u>	<u>3,554,750</u>	<u>3,368,013</u>	<u>(186,737)</u>
<b>EXPENDITURES</b>				
Current				
Guest services	204,700	204,700	206,274	(1,574)
Recreation	140,700	140,700	138,623	2,077
Aquatic	207,150	207,150	209,526	(2,376)
Fitness	165,850	165,850	183,818	(17,968)
Administration	537,140	537,140	538,249	(1,109)
Maintenance	351,300	351,300	338,134	13,166
SplashZone	138,300	138,300	116,478	21,822
Debt Service				
Principal and interest	1,460,000	6,360,000	6,198,969	161,031
TOTAL EXPENDITURES	<u>3,205,140</u>	<u>8,105,140</u>	<u>7,930,071</u>	<u>175,069</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	349,610	(4,550,390)	(4,562,058)	(11,668)
OTHER FINANCING (USES)				
Operating transfers (out)	(95,000)	(95,000)	(95,000)	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	254,610	(4,645,390)	(4,657,058)	(11,668)
FUND BALANCE, October 1	<u>8,040,108</u>	<u>7,840,892</u>	<u>7,840,892</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 8,294,718</u>	<u>\$ 3,195,502</u>	<u>\$ 3,183,834</u>	<u>\$ (11,668)</u>

CITY OF ROLLA, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – PARK FUND  
 Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes	\$ 226,050	\$ 226,050	\$ 211,849	\$ (14,201)
Charges for services	114,400	114,400	119,821	5,421
Interest income	250	250	1,308	1,058
Miscellaneous	25,000	25,000	8,695	(16,305)
TOTAL REVENUES	365,700	365,700	341,673	(24,027)
<b>EXPENDITURES</b>				
Current				
Park	831,850	831,850	779,988	51,862
TOTAL EXPENDITURES	831,850	831,850	779,988	51,862
<b>(DEFICIT) OF REVENUES OVER EXPENDITURES</b>				
	(466,150)	(466,150)	(438,315)	27,835
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	467,000	467,000	461,180	(5,820)
Operating transfers (out)	-	-	(7,477)	(7,477)
TOTAL OTHER FINANCING SOURCES (USES)	467,000	467,000	453,703	(13,297)
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</b>				
	850	850	15,388	14,538
FUND BALANCE, October 1	384	2,671	2,671	-
FUND BALANCE, September 30	\$ 1,234	\$ 3,521	\$ 18,059	\$ 14,538

CITY OF ROLLA, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – AIRPORT FUND  
 Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Intergovernmental revenue	\$ 185,000	\$ 215,000	\$ 192,769	\$ (22,231)
Charges for services	296,425	281,425	242,986	(38,439)
Interest income	10	10	14	4
Miscellaneous	1,025	1,025	511	(514)
TOTAL REVENUES	482,460	497,460	436,280	(61,180)
<b>EXPENDITURES</b>				
Current				
Airport	540,860	555,860	512,466	43,394
TOTAL EXPENDITURES	540,860	555,860	512,466	43,394
(DEFICIT) OF REVENUES OVER EXPENDITURES	(58,400)	(58,400)	(76,186)	(17,786)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	155,000	155,000	155,000	-
Operating transfers (out)	-	-	(79,542)	(79,542)
TOTAL OTHER FINANCING SOURCES (USES)	155,000	155,000	75,458	(79,542)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	96,600	96,600	(728)	(97,328)
FUND BALANCE, October 1	36,990	36,990	36,990	-
FUND BALANCE, September 30	\$ 133,590	\$ 133,590	\$ 36,262	\$ (97,328)

CITY OF ROLLA, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – CEMETERY FUND  
 Year Ended September 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Charges for services	\$ 10,000	\$ 10,000	\$ 21,450	\$ 11,450
Interest income	<u>12,000</u>	<u>12,000</u>	<u>3,858</u>	<u>(8,142)</u>
TOTAL REVENUES	22,000	22,000	25,308	3,308
OTHER FINANCING (USES)				
Operating transfers (out)	<u>(12,000)</u>	<u>(12,000)</u>	<u>(6,180)</u>	<u>5,820</u>
EXCESS OF REVENUES OVER OTHER (USES)	10,000	10,000	19,128	9,128
FUND BALANCE, October 1	<u>229,340</u>	<u>232,002</u>	<u>232,002</u>	<u>-</u>
FUND BALANCE, September 30	<u><u>\$ 239,340</u></u>	<u><u>\$ 242,002</u></u>	<u><u>\$ 251,130</u></u>	<u><u>\$ 9,128</u></u>



CITY OF ROLLA, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – PARK LAND RESERVE FUND  
 Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Interest income	\$ 500	\$ 500	\$ 536	\$ 36
Miscellaneous	2,500	2,500	628	(1,872)
TOTAL REVENUES	3,000	3,000	1,164	(1,836)
EXPENDITURES				
Current				
Park	40,000	40,000	14,995	25,005
TOTAL EXPENDITURES	40,000	40,000	14,995	25,005
(DEFICIT) OF REVENUES OVER EXPENDITURES	(37,000)	(37,000)	(13,831)	23,169
FUND BALANCE, October 1	132,138	137,365	137,365	-
FUND BALANCE, September 30	\$ 95,138	\$ 100,365	\$ 123,534	\$ 23,169

CITY OF ROLLA, MISSOURI  
NOTE TO BUDGETARY COMPARISON SCHEDULES  
Year Ended September 30, 2009

Budgets and Budgetary Accounting

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

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



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

Honorable Mayor and City Council  
City of Rolla  
Rolla, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the City of Rolla, Missouri as of and for the year ended September 30, 2009, and have issued our report thereon dated February 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Rolla, Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Honorable Mayor and City Council  
City of Rolla  
Rolla, Missouri

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rolla, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as item 09-1.

We have noted certain other matters that we have reported to the management of the City of Rolla, Missouri in a separate letter dated February 17, 2010.

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

*Davis, Lynn & Moots, PC*

DAVIS, LYNN & MOOTS, P.C.  
February 17, 2010



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

Honorable Mayor and City Council  
City of Rolla  
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 its major federal programs for the year ended September 30, 2009. The City of Rolla, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 on the City of Rolla, Missouri's compliance with those requirements.

Honorable Mayor and City Council  
City of Rolla  
Rolla, Missouri

In our opinion, the City of Rolla, Missouri complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 09-1.

#### 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 the City's internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the City'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 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 and use of the Honorable Mayor and City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Davis, Lynn & Moots, PC*

DAVIS, LYNN & MOOTS, P.C.  
February 17, 2010

CITY OF ROLLA, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended September 30, 2009

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
State Emergency Management Agency			
Homeland Security Grant Program	97.067	2008-GE-T8-0014 2007-GE-T7-0034	\$ 5,411 109,181
Direct			
Staffing for Adequate Fire and Emergency Response Grant	97.083	EMW-2007-FF-00133	164,201
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			278,793
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Missouri Department of Economic Development			
Community Development Block Grant	14.228	2000-PF-759	58,200
Department of Social Services			
Emergency Shelter Grant Program	14.231	ERO 1640	8,452
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			66,652
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Missouri Department of Transportation			
Airport Improvement Program	20.106	AIR 056-56A 08-056A-1	19,148 199,273
State and Community Highway Safety	20.600	09-PT-02-118 BPC0950Z	7,987 3,857
Missouri Department of Public Safety			
DWI Enforcement Grant	20.607	LKK040 NHTSA	2,515
State and Community Highway Safety	20.600	LKK047 NHTSA	1,136
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			233,916
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct			
Bulletproof Vest Partnership Program	16.607	N/A	4,857
TOTAL U.S. DEPARTMENT OF JUSTICE			4,857
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
Direct			
Equitable Sharing of Seized Property	21.000	N/A	76,707
TOTAL U.S. DEPARTMENT OF THE TREASURY			76,707
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 660,925

N/A - Not Applicable

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the City's financial statements.

CITY OF ROLLA, MISSOURI  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended September 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the financial statements.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. Audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule as item 09-1.
7. The programs tested as major programs were:

Staffing for Adequate Fire and Emergency Response Grant	97.083
Homeland Security Grant Program	97.067
Equitable Sharing of Seized Property	21.000

8. The threshold for determining Type A programs was \$300,000.
9. The City of Rolla, Missouri was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAM AUDIT

09-1 Reserve Requirements

Federal Grantor:	Environmental Protection Agency
Pass-Through Grantor:	Department of Natural Resources
Federal CFDA Number:	66.458
Program Title:	Capitalization Grant for Clean Water
Award Year:	2008
Questioned Costs:	Not Applicable



C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAM AUDIT (continued)

*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.

*Cause:* 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.

*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.

*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 maximum amount required to be set aside.

*Response:* The City will propose sewer fee increases over a two-year period to meet the reserve requirements of DNR's Revolving Loan Program.

CITY OF ROLLA, MISSOURI  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended September 30, 2009

This section represents the summary schedule of prior audit findings.

08-2 Reserve Requirements

Federal Grantor:	Environmental Protection Agency
Pass-Through Grantor:	Department of Natural Resources
Federal CFDA Number:	66.458
Program Title:	Capitalization Grant for Clean Water
Award Year:	2008
Questioned Costs:	Not Applicable

*Condition:* The depreciation and replacement reserves required by the Revolving Fund Loan Program have not been established.

*Auditor's 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 maximum amount required to be set aside.

*Status:* The depreciation and replacement reserves have not been established. See item 09-1.