

CITY OF ROLLA, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2010

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Rolla, Missouri, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rolla, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Rolla, Missouri, as of September 30, 2010, 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 January 31, 2011, 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.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
January 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2010**

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, 2010. 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 increased by \$109,993 for the year as a result of current year activities. The net assets of the City's business activities increased \$549,253 for the year.
- The assets of the City exceeded its liabilities as of September 30, 2010, by \$95.4 million (net assets). Of this amount \$9.6 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$142,590.
- Total estimated construction costs for fiscal year 2010 were \$23,247,739 compared to \$16,701,266 in fiscal year 2009. Overall, 107 new housing units were added in fiscal year 2010. Residential housing is starting to rebound from the recent downturn in the national economy.
- Beginning in May 2010, various departments within the City of Rolla are participating in an Energy Efficiency Program. These departments include; City Hall Building Services, Police Department, Fire Department, Sewer Department and the Centre. The total project cost is \$2,032,435 with a projected annual savings of \$126,276. The lease purchase financing associated with this project is for a 15 year term at a fixed rate of 4.05%.
- 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 eighth full year of operations in 2010, achieving an 80% recapture rate. SplashZone ended the year with 112% recapture. Overall, revenues for the Center decreased by 2% while expenditures increased by 3%. Revenues for SplashZone increased 5% while expenditures increased 9%.

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, 2010**

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, 2010**

- 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, 2010 and 2009:

	Governmental Activities	Business-Type Activities	Total September 30, 2010	Total September 30, 2009
Current and other assets	\$ 7,919,512	\$ 7,446,742	\$ 15,366,254	\$ 13,981,079
Capital assets	80,341,420	24,092,069	104,433,489	105,327,251
TOTAL ASSETS	88,260,932	31,538,811	119,799,743	119,308,330
Long-term liabilities outstanding	10,989,743	9,652,613	20,642,356	20,784,946
Other liabilities	2,902,559	875,739	3,778,298	4,024,491
TOTAL LIABILITIES	13,892,302	10,528,352	24,420,654	24,809,437
Net assets:				
Invested in capital assets net of related debt	68,824,912	16,531,309	85,356,221	86,027,829
Restricted	200,000	187,333	387,333	436,677
Unrestricted	5,343,718	4,291,817	9,635,535	8,034,387
TOTAL NET ASSETS	\$ 74,368,630	\$ 21,010,459	\$ 95,379,089	\$ 94,498,893

Total net assets of the City increased \$659,246 for the year due to current year activity. Total liabilities for the City have decreased by \$388,783 due to the repayment of bond principal and capital lease principal. Net capital assets for the governmental activities totaled \$80.3 million as of September 30, 2010.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2010**

CHANGE IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2010	Total Year Ended September 30, 2009
REVENUES				
Program Revenues				
Charges for services	\$ 2,548,901	\$ 5,314,007	\$ 7,862,908	\$ 7,346,247
Operating grants and contributions	402,257	-	402,257	625,384
Capital grants and contributions	200,794	93,022	293,816	337,629
General Revenues				
Property taxes	1,084,086	-	1,084,086	1,127,412
Sales taxes	9,089,096	-	9,089,096	9,167,637
Motor vehicle taxes	625,239	-	625,239	606,732
Payment in lieu of taxes	1,485,445	-	1,485,445	1,464,161
Other taxes	429,566	-	429,566	451,533
Franchise fees	1,039,874	-	1,039,874	983,172
Interest	152,882	277,292	430,174	428,822
Other revenue	75,720	12,156	87,876	96,910
Transfers	467,256	(467,256)	-	-
TOTAL REVENUES	17,601,116	5,229,221	22,830,337	22,635,639
EXPENSES				
General government and other	4,778,693	-	4,778,693	5,119,706
Public safety	5,572,249	-	5,572,249	5,577,237
Public works and maintenance	3,448,642	-	3,448,642	4,112,259
Recreation Center	2,231,857	-	2,231,857	2,140,117
Park	912,153	-	912,153	912,756
Airport	547,529	-	547,529	736,653
Sewer	-	2,129,629	2,129,629	2,094,392
Environmental services	-	2,550,339	2,550,339	2,547,440
TOTAL EXPENSES	17,491,123	4,679,968	22,171,091	23,240,560
INCREASE (DECREASE) IN NET ASSETS	\$ 109,993	\$ 549,253	\$ 659,246	\$ (604,921)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2010**

Governmental Activities

Governmental activities increased the net assets of the City by \$109,993. Tax revenues for the City were \$13.8 million, which represents 78% of the financing of these activities. Program revenues for the functions totaled \$3.2 million or 18% of the funding. The following table shows the cost of the City's programs as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

NET COST OF THE CITY OF ROLLA'S GOVERNMENTAL ACTIVITIES

	Total Cost of Services	Net Cost of Services
General government and other	\$ 4,778,693	\$ 4,143,184
Public safety	5,572,249	4,934,840
Public works and maintenance	3,448,642	3,241,721
Recreation Center	2,231,857	899,760
Park	912,153	801,352
Airport	547,529	318,314
	\$ 17,491,123	\$ 14,339,171

Business-Type Activities

Business-type activities increased the City's net assets by \$549,253. Last year the business-type activities decreased \$254,261.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2010, were \$6.9 million. The General Fund increased by \$375,767. The Street Fund decreased by \$281,372. The Recreation Center Fund increased by \$242,675. The Park Fund increased by \$4,001. The Airport Fund decreased by \$848. The Cemetery Fund increased by \$5,450. The Park Land Reserve Fund increased by \$190.

The General Fund budgeted an operating surplus in fiscal year 2010 in the amount of \$454,168 and ended the year with a surplus of \$375,767. After a 0.15% increase in fiscal year 2009, sales tax receipts decreased by 1.01% in 2010. The General Fund receives approximately 40% of its revenues from sales tax.

City Council established a goal of a General Fund Reserve Balance equal to 25% of the annual General Fund operating expenditures. The fund balance in the General Fund was \$2,313,427 or 24% at fiscal year end.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2010**

From 2002 through September 30, 2010, the Fire Department received approval for a total of \$1,350,000 in Weapons of Mass Destruction Grants through the Homeland Security Department. Although the previous grants were awarded and expended within the year of award, the balance remaining in grant funds is estimated to be \$65,000 and will be expended in fiscal year 2011.

Expenditures were budgeted to exceed revenues by \$519,057 in the Street Fund in 2010 but ended with a deficit of \$281,372. 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 declined 1.01% in fiscal year 2010.

The ½ cent Recreation Centre (Park) tax also decreased 1.01%. Total operating revenues equaled \$1,206,000 and total operating expenditures at the Recreation Centre equaled \$1,509,000. Fiscal year 2010 was the eighth 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 80%. SplashZone achieved a 112% recapture rate in fiscal year 2010.

General Fund Budgetary Highlights

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

- The original revenue budget of \$9,111,123 was decreased to \$9,086,260.
- The total original expenditures budget of \$9,419,027 was increased to \$9,687,668.

Budget adjustments were presented and approved by City Council. Actual revenues were \$131,988 under budget, while actual expenditures were \$111,587 under budget.

For fiscal year 2010, there were no year-end budget adjustments required.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$80.3 million (net of accumulated depreciation) as of September 30, 2010. This represents a \$732,234 decrease from the prior year due primarily to current year provisions for depreciation. Net capital assets for business-type activities was \$24 million as of September 30, 2010. This represents a decrease of \$161,528 from the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2010**

Debt

Total debt of the governmental activities as of September 30, 2010, was \$13 million, which is down by \$812,691 from the prior year due to current year principal payments.

Total debt of the business-type activities as of September 30, 2010, was \$10.1 million, which netted an increase of \$897,897 due to payments made on the City's capital leases and revenue bonds and the issuance of new capital leases for an energy project.

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 for another five years 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”, Bryant Drive extension and Kingshighway improvements. In addition, the City entered into a TIF Redevelopment Agreement with Kohls to construct a new large retail center on North Highway 63.

Sales tax revenues decreased 1.01% in fiscal year 2010. Staff will continue to monitor the situation closely, but anticipates sales tax growth of 1% in fiscal year 2011. Rolla has a solid economic base with a low unemployment rate, solid tourism trends and sustained growth with healthcare, education (Missouri S&T) and Fort Leonard Wood. The loss of Briggs & Stratton continues to impact the local economy but new projects such as Walgreens, Kia Dealership, St. John's Medical facility, Colton's Steakhouse, Benton Square, other downtown revitalization projects and the MS&T Technology Park certainly pose significant strengths and opportunities.

The City's self-funded health insurance program ended calendar year 2010 with an employee contribution rate of 34.58%. 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 2010. Property has been acquired behind the existing Recycling Center and a master plan has been completed. The plan for this facility is to one day house the departments of Environmental Services, Vehicle Maintenance, Park Maintenance, Street and Animal Control.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2010**

Contacting the City's Financial Management

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

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

CITY OF ROLLA, MISSOURI
STATEMENT OF NET ASSETS
September 30, 2010

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Rolla Municipal Utilities
ASSETS				
Cash and cash equivalents - unrestricted	\$ 1,225,021	\$ 3,010,416	\$ 4,235,437	\$ 17,488,169
Investments - unrestricted	225,000	-	225,000	10,728,013
Taxes receivable, net	1,855,263	-	1,855,263	-
Utilities receivable, net	-	580,130	580,130	899,515
Other accounts receivable, net	64,510	-	64,510	16,222
Court fines receivable, net	49,443	-	49,443	-
Intergovernmental receivable	203,654	-	203,654	-
Accrued interest receivable	1,572	29,890	31,462	-
Inventory	67,368	-	67,368	875,070
Prepaid expenses	452,773	83,480	536,253	133,380
Restricted cash and cash equivalents	3,601,440	1,094,320	4,695,760	-
Restricted investments	-	2,546,854	2,546,854	-
Special assessments receivable	87,733	-	87,733	-
Deferred bond issuance costs	85,735	101,652	187,387	-
Capital Assets:				
Non-depreciable	12,708,530	1,354,704	14,063,234	986,898
Depreciable, net	67,632,890	22,737,365	90,370,255	29,998,564
TOTAL ASSETS	88,260,932	31,538,811	119,799,743	61,125,831
LIABILITIES				
Current				
Accounts payable	566,359	167,402	733,761	2,278,287
Accrued expenses	273,652	63,502	337,154	36,593
Deposits payable	-	-	-	1,330,912
Court bonds payable	4,001	-	4,001	-
Refundable permits	33,100	-	33,100	-
Accrued interest payable	57,633	91,830	149,463	28,810
Arbitrage payable	-	84,908	84,908	-
Current maturities of long-term debt	1,967,814	468,097	2,435,911	675,000
	2,902,559	875,739	3,778,298	4,349,602
Noncurrent				
Capital leases payable	3,609,592	1,257,863	4,867,455	15,765,000
Loans payable	78,187	-	78,187	-
General obligation bonds payable	5,860,915	-	5,860,915	-
Revenue bonds payable	-	5,834,800	5,834,800	-
Payable to other governments	-	2,421,098	2,421,098	-
Post employment benefit liability	474,200	-	474,200	-
Compensated absences payable	966,849	138,852	1,105,701	128,498
	10,989,743	9,652,613	20,642,356	15,893,498
TOTAL LIABILITIES	13,892,302	10,528,352	24,420,654	20,243,100
NET ASSETS				
Invested in capital assets, net of related debt	68,824,912	16,531,309	85,356,221	25,273,475
Restricted for debt service	-	187,333	187,333	-
Restricted for cemetery	200,000	-	200,000	-
Restricted for construction	-	-	-	2,052,000
Unrestricted	5,343,718	4,291,817	9,635,535	13,557,256
TOTAL NET ASSETS	\$ 74,368,630	\$ 21,010,459	\$ 95,379,089	\$ 40,882,731

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets			Component Unit Rolla Municipal Utilities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government								
Governmental activities								
Administrative	\$ (902,389)	\$ 161,233	\$ 8,347	\$ -	\$ (732,809)	\$ -	\$ (732,809)	\$ -
Administrator	(366,603)	-	-	-	(366,603)	-	(366,603)	-
Finance	(461,150)	12,028	-	-	(449,122)	-	(449,122)	-
Legal services	(73,094)	-	-	-	(73,094)	-	(73,094)	-
City court	(102,273)	7,007	-	-	(95,266)	-	(95,266)	-
911 telecommunications	(799,421)	259,290	-	-	(540,131)	-	(540,131)	-
Animal shelter	(164,265)	14,948	23,199	-	(126,118)	-	(126,118)	-
Police	(3,016,696)	216,683	213,102	19,099	(2,567,812)	-	(2,567,812)	-
Fire	(2,555,553)	48,741	139,784	-	(2,367,028)	-	(2,367,028)	-
Building maintenance	(107,668)	-	-	-	(107,668)	-	(107,668)	-
Engineering	(741,684)	-	-	-	(741,684)	-	(741,684)	-
Community development	(443,434)	-	-	-	(443,434)	-	(443,434)	-
Library	(40,667)	38,871	-	-	(1,796)	-	(1,796)	-
Economic development	(246,372)	105,136	-	-	(141,236)	-	(141,236)	-
Public works	(3,340,974)	17,333	7,893	181,695	(3,134,053)	-	(3,134,053)	-
Recreation Center	(2,231,857)	1,325,715	6,382	-	(899,760)	-	(899,760)	-
Park	(912,153)	107,251	3,550	-	(801,352)	-	(801,352)	-
Airport	(547,529)	229,215	-	-	(318,314)	-	(318,314)	-
Cemetery	(4,269)	5,450	-	-	1,181	-	1,181	-
Debt service	(433,072)	-	-	-	(433,072)	-	(433,072)	-
TOTAL GOVERNMENTAL ACTIVITIES	(17,491,123)	2,548,901	402,257	200,794	(14,339,171)	-	(14,339,171)	-
Business-Type Activities								
Sewer	(2,129,629)	2,319,715	-	67,022	-	257,108	257,108	-
Environmental services	(2,550,339)	2,994,292	-	26,000	-	469,953	469,953	-
TOTAL BUSINESS-TYPE ACTIVITIES	(4,679,968)	5,314,007	-	93,022	-	727,061	727,061	-
TOTAL PRIMARY GOVERNMENT	\$ (22,171,091)	\$ 7,862,908	\$ 402,257	\$ 293,816	(14,339,171)	727,061	(13,612,110)	-

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended September 30, 2010

Functions/Programs	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets			Component Unit Rolla Municipal Utilities		
	Expenses	Charges	Operating	Capital	Primary Government				
		for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities		Total	
Component Unit Rolla Municipal Utilities	\$ (27,078,787)	\$ 30,109,943	\$ -	\$ 154,974	-	-	-	3,186,130	
		General Revenues:							
					Property taxes	1,084,086	-	1,084,086	-
					Sales taxes	9,089,096	-	9,089,096	-
					Motor vehicle taxes	625,239	-	625,239	-
					Payment in lieu of taxes	1,485,445	-	1,485,445	-
					Other taxes	429,566	-	429,566	-
					Franchise fees	1,039,874	-	1,039,874	-
					Interest	152,882	277,292	430,174	216,802
					Other revenue	75,720	12,156	87,876	120,330
					Transfers	467,256	(467,256)	-	-
					Total General Revenues and Transfers	14,449,164	(177,808)	14,271,356	337,132
					Changes in Net Assets	109,993	549,253	659,246	3,523,262
					Net Assets, Beginning of year, as restated	74,258,637	20,461,206	94,719,843	37,359,469
					Net Assets, End of year	\$ 74,368,630	\$ 21,010,459	\$ 95,379,089	\$ 40,882,731

See accompanying notes.

CITY OF ROLLA, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2010

	General Fund	Street Fund	Recreation Center Fund	Park Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 709,569	\$ 107,711	\$ 193,318	\$ 22,819	\$ 11,300	\$ 56,580	\$ 123,724	\$ 1,225,021
Investments	225,000	-	-	-	-	-	-	225,000
Taxes receivable, net	952,706	629,578	268,902	4,077	-	-	-	1,855,263
Other accounts receivable, net	29,644	6,212	11,038	-	5,650	-	-	52,544
Court fines receivable, net	49,443	-	-	-	-	-	-	49,443
Intergovernmental receivable	55,812	147,842	-	-	-	-	-	203,654
Accrued interest receivable	1,572	-	-	-	-	-	-	1,572
Inventory	-	-	-	-	67,368	-	-	67,368
Prepaid expenses	324,875	44,742	52,603	25,223	5,330	-	-	452,773
Special assessments receivable	87,733	-	-	-	-	-	-	87,733
Restricted cash and cash equivalents	411,149	-	2,990,291	-	-	200,000	-	3,601,440
TOTAL ASSETS	\$ 2,847,503	\$ 936,085	\$ 3,516,152	\$ 52,119	\$ 89,648	\$ 256,580	\$ 123,724	\$ 7,821,811
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 189,575	\$ 148,302	\$ 61,855	\$ 9,126	\$ 51,324	\$ -	\$ -	\$ 460,182
Accrued expenses	201,180	25,476	27,788	16,298	2,910	-	-	273,652
Court bonds payable	4,001	-	-	-	-	-	-	4,001
Refundable permits	33,100	-	-	-	-	-	-	33,100
Deferred revenue	106,220	5,840	-	4,635	-	-	-	116,695
TOTAL LIABILITIES	534,076	179,618	89,643	30,059	54,234	-	-	887,630
Fund Balances								
Reserved for:								
Inventory	-	-	-	-	67,368	-	-	67,368
Depreciation and replacement	-	-	2,770,238	-	-	-	-	2,770,238
Cemetery	-	-	-	-	-	200,000	-	200,000
Lease proceeds	374,048	-	220,053	-	-	-	-	594,101
Unreserved, reported in:								
General Fund								
Designated for health insurance	444,626	-	-	-	-	-	-	444,626
Designated for risk management	68,682	-	-	-	-	-	-	68,682
Undesignated	1,426,071	-	-	-	-	-	-	1,426,071
Special Revenue Fund								
Designated for health insurance	-	58,021	20,234	19,746	3,587	-	-	101,588
Designated for risk management	-	32,358	12,824	1,195	3,820	-	-	50,197
Undesignated	-	666,088	403,160	1,119	(39,361)	-	123,724	1,154,730
Permanent Fund	-	-	-	-	-	56,580	-	56,580
TOTAL FUND BALANCES	2,313,427	756,467	3,426,509	22,060	35,414	256,580	123,724	6,934,181
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,847,503	\$ 936,085	\$ 3,516,152	\$ 52,119	\$ 89,648	\$ 256,580	\$ 123,724	\$ 7,821,811

See accompanying notes.

CITY OF ROLLA, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET ASSETS
 September 30, 2010

Fund balance - total governmental funds	\$ 6,934,181
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	119,438,454
Less accumulated depreciation	<u>(39,097,034)</u>
	80,341,420
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(57,633)
Adjustment of deferred revenue	116,695
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(12,957,557)
Unamortized debt issuance costs	85,735
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>(94,211)</u>
Net assets of governmental activities	<u><u>\$ 74,368,630</u></u>

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended September 30, 2010

	General Fund	Street Fund	Recreation Center Fund	Park Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	Total Governmental Funds
REVENUES								
Taxes	\$ 7,557,487	\$ 4,168,379	\$ 1,817,706	\$ 215,558	\$ -	\$ -	\$ -	\$ 13,759,130
Licenses and permits	161,233	-	-	-	-	-	-	161,233
Intergovernmental revenues	851,791	160,584	2,175	-	-	-	-	1,014,550
Charges for services	48,741	17,333	1,325,715	107,251	229,215	5,450	-	1,733,705
Fines and forfeitures	219,760	-	-	-	-	-	-	219,760
Interest income	55,806	11,477	76,037	2,419	44	6,409	690	152,882
Miscellaneous	59,454	17,830	4,835	14,996	1,310	-	-	98,425
TOTAL REVENUES	8,954,272	4,375,603	3,226,468	340,224	230,569	11,859	690	17,139,685
EXPENDITURES								
Current								
Administrative	933,752	-	-	-	-	-	-	933,752
Administrator	356,013	-	-	-	-	-	-	356,013
Finance	434,088	-	-	-	-	-	-	434,088
Legal services	72,261	-	-	-	-	-	-	72,261
City court	100,009	-	-	-	-	-	-	100,009
911 telecommunications	771,004	-	-	-	-	-	-	771,004
Animal shelter	153,795	-	-	-	-	-	-	153,795
Police	2,874,246	-	-	-	-	-	-	2,874,246
Fire	2,334,470	-	-	-	-	-	-	2,334,470
Building maintenance	128,949	-	-	-	-	-	-	128,949
Engineering	705,221	-	-	-	-	-	-	705,221
Community development	425,847	-	-	-	-	-	-	425,847
Library	40,667	-	-	-	-	-	-	40,667
Economic development	245,759	-	-	-	-	-	-	245,759
Public works	-	3,639,341	-	-	-	-	-	3,639,341
Recreation Center	-	-	1,808,608	-	-	-	-	1,808,608
Park	-	-	-	790,356	-	-	500	790,856
Airport	-	-	-	-	317,905	-	-	317,905
Debt Service								
Principal and interest	-	735,926	1,353,627	-	-	-	-	2,089,553
TOTAL EXPENDITURES	9,576,081	4,375,267	3,162,235	790,356	317,905	-	500	18,222,344

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
Year Ended September 30, 2010

	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	(621,809)	336	64,233	(450,132)	(87,336)	11,859	190	(1,082,659)
OTHER FINANCING SOURCES (USES)								
Lease proceeds	521,958	132,238	307,070	-	-	-	-	961,266
Operating transfers in (out)	475,618	(413,946)	(128,628)	454,133	86,488	(6,409)	-	467,256
TOTAL OTHER FINANCING SOURCES (USES)	997,576	(281,708)	178,442	454,133	86,488	(6,409)	-	1,428,522
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	375,767	(281,372)	242,675	4,001	(848)	5,450	190	345,863
FUND BALANCE, October 1	1,937,660	1,037,839	3,183,834	18,059	36,262	251,130	123,534	6,588,318
FUND BALANCE, September 30	\$ 2,313,427	\$ 756,467	\$ 3,426,509	\$ 22,060	\$ 35,414	\$ 256,580	\$ 123,724	\$ 6,934,181

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, 2010

Net change in fund balances - total governmental funds \$ 345,863

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

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

Capital outlay	2,630,658
Depreciation	(3,578,038)
Disposal of capital assets, net	(5,804)
	<u>(953,184)</u>

Some revenues reported in the governmental funds represent current financial resources and were recognized in the statement of activities when earned	(5,825)
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The issuance of long-term debt provides current financial resources to governmental
 funds. The repayment of the principal of long-term debt is a use of current
 financial resources of governmental funds. Also, governmental funds report
 the effect of issuance costs and similar items when debt is issued, whereas these
 amounts are deferred and amortized in the statement of activities. In the statement
 of activities, interest is accrued on outstanding debt whereas in the governmental
 funds, an interest expenditure is reported when due. The following is the detail of
 the net effect of these differences.

Lease proceeds	(961,266)
Repayment of principal on bonds, leases and loans	2,072,022
Issuance cost amortization	(13,928)
Change in accrued interest payable	(664)
	<u>1,096,164</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.	(298,065)
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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.	(74,960)
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Change in net assets of governmental activities	<u>\$ 109,993</u>
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See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
September 30, 2010

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 648,092	\$ 2,362,324	\$ 3,010,416	\$ -
Utilities receivable, net	284,049	296,081	580,130	-
Other accounts receivable	-	-	-	11,966
Accrued interest receivable	29,890	-	29,890	-
Prepaid expenses	26,612	56,868	83,480	-
TOTAL CURRENT ASSETS	988,643	2,715,273	3,703,916	11,966
Restricted Assets				
Cash and cash equivalents	1,094,320	-	1,094,320	-
Investments	2,546,854	-	2,546,854	-
TOTAL RESTRICTED ASSETS	3,641,174	-	3,641,174	-
Deferred Bond Issuance Costs	101,652	-	101,652	-
Property, Plant and Equipment				
Land	309,236	670,663	979,899	-
Construction in progress	374,805	-	374,805	-
Buildings	613,670	826,220	1,439,890	-
Sewer treatment plant	14,921,588	-	14,921,588	-
Sewer mains and lines	12,737,964	-	12,737,964	-
Manhole covers	1,459,701	-	1,459,701	-
Major moveable equipment	1,481,745	3,027,836	4,509,581	-
	31,898,709	4,524,719	36,423,428	-
Less accumulated depreciation	(9,704,212)	(2,627,147)	(12,331,359)	-
TOTAL PROPERTY, PLANT AND EQUIPMENT	22,194,497	1,897,572	24,092,069	-
TOTAL ASSETS	26,925,966	4,612,845	31,538,811	11,966

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS (CONTINUED)
September 30, 2010

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	67,372	100,030	167,402	106,177
Accrued expenses	20,793	42,709	63,502	-
Accrued interest payable	91,830	-	91,830	-
Arbitrage payable	84,908	-	84,908	-
Current maturities of long-term debt	468,097	-	468,097	-
TOTAL CURRENT LIABILITIES	733,000	142,739	875,739	106,177
Long-Term Liabilities				
Capital leases payable	1,257,863	-	1,257,863	-
Revenue bonds payable	5,834,800	-	5,834,800	-
Payable to other governments	2,421,098	-	2,421,098	-
Compensated absences payable	44,340	94,512	138,852	-
TOTAL LONG-TERM LIABILITIES	9,558,101	94,512	9,652,613	-
TOTAL LIABILITIES	10,291,101	237,251	10,528,352	106,177
Net Assets (Deficit)				
Invested in capital assets, net of related debt	14,633,737	1,897,572	16,531,309	-
Restricted for debt service	187,333	-	187,333	-
Unrestricted	1,813,795	2,478,022	4,291,817	(94,211)
TOTAL NET ASSETS (DEFICIT)	\$ 16,634,865	\$ 4,375,594	\$ 21,010,459	\$ (94,211)

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
Year Ended September 30, 2010

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
OPERATING REVENUES				
Charges for services	\$ 2,319,715	\$ 2,994,292	\$ 5,314,007	\$ -
Charges to other departments	-	-	-	1,420,896
Contributions - employees	-	-	-	550,973
TOTAL OPERATING REVENUES	2,319,715	2,994,292	5,314,007	1,971,869
OPERATING EXPENSES				
Personnel services	604,713	1,175,471	1,780,184	-
Contractual services	39,925	16,064	55,989	-
Repairs and maintenance	144,760	98,559	243,319	-
Supplies	96,767	269,242	366,009	-
Utilities	261,845	37,852	299,697	-
Insurance claims and expenses	33,720	75,558	109,278	2,046,829
Landfill	-	641,488	641,488	-
Depreciation	572,437	225,445	797,882	-
Miscellaneous	3,547	10,660	14,207	-
TOTAL OPERATING EXPENSES	1,757,714	2,550,339	4,308,053	2,046,829
OPERATING INCOME (LOSS)	562,001	443,953	1,005,954	(74,960)
NONOPERATING REVENUES (EXPENSES)				
Interest income	236,692	40,600	277,292	-
Other revenue	-	12,156	12,156	-
Capital contributions	58,565	-	58,565	-
Interest expense	(371,915)	-	(371,915)	-
Gain on sale of equipment	8,457	26,000	34,457	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(68,201)	78,756	10,555	-
INCOME (LOSS) BEFORE OPERATING TRANSFERS	493,800	522,709	1,016,509	(74,960)
OPERATING TRANSFERS (OUT)	(210,704)	(256,552)	(467,256)	-
NET INCOME (LOSS)	283,096	266,157	549,253	(74,960)
NET ASSETS, October 1	16,351,769	4,109,437	20,461,206	(19,251)
NET ASSETS, September 30	\$ 16,634,865	\$ 4,375,594	\$ 21,010,459	\$ (94,211)

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2010

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,280,007	\$ 2,944,579	\$ 5,224,586	\$ 1,986,474
Cash paid to suppliers	(578,756)	(1,310,472)	(1,889,228)	(1,986,474)
Cash paid to employees	(591,329)	(1,165,083)	(1,756,412)	-
Other cash received for nonoperating revenues	-	12,156	12,156	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,109,922	481,180	1,591,102	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due (to) other governments	(189,000)	-	(189,000)	-
Operating transfer (out)	(210,704)	(256,552)	(467,256)	-
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(399,704)	(256,552)	(656,256)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of long-term debt	1,322,640	-	1,322,640	-
Capital contributions received	58,565	-	58,565	-
Purchase of fixed assets	(527,525)	(108,829)	(636,354)	-
Proceeds from sale of fixed assets	8,457	26,000	34,457	-
Payment of bond principal	(375,000)	-	(375,000)	-
Payment of interest expense	(355,569)	-	(355,569)	-
Payment of principal on capital leases	(54,301)	-	(54,301)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	77,267	(82,829)	(5,562)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	234,174	47,403	281,577	-
Maturity of investments	333,989	750,000	1,083,989	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	568,163	797,403	1,365,566	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,355,648	939,202	2,294,850	-
CASH AND CASH EQUIVALENTS, Beginning of year	386,764	1,423,122	1,809,886	-
CASH AND CASH EQUIVALENTS, End of year	\$ 1,742,412	\$ 2,362,324	\$ 4,104,736	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 562,001	\$ 443,953	\$ 1,005,954	\$ (74,960)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	572,437	225,445	797,882	-
(Increase) decrease in:				
Utilities receivable	(39,708)	(49,713)	(89,421)	-
Other accounts receivable	-	-	-	14,605
Prepaid expenses	(1,763)	(266)	(2,029)	-
Increase (decrease) in:				
Accounts payable	3,861	(160,783)	(156,922)	60,355
Accrued expenses	5,068	9,409	14,477	-
Compensated absences	8,316	979	9,295	-
Arbitrage payable	(290)	-	(290)	-
Other cash received for nonoperating revenues	-	12,156	12,156	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,109,922	\$ 481,180	\$ 1,591,102	\$ -

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, 2010, 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 FASB Accounting Standards Codification (ASC) Topic No. 835-20-30 – *The Amount Interest Cost to be Capitalized in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

Revenue Recognition - Property Taxes

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

Deposits and Investments

Primary Government

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rolla Municipal Utilities

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

Net Assets

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

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

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

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

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

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, 2010, all bank balances on deposit are entirely insured or collateralized.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

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, 2010, 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, 2010, are as follows:

Investment Type	Maturity	Amount
Certificates of Deposit	10/14/2010	\$ 225,000
Societe Generale - Guaranteed Investment Contract	1/1/2019	232,050
CDC Funding Corporation - Guaranteed Investment Contract	7/1/2021	49,207
Trinity Plus Funding Company - Guaranteed Investment Contract	7/1/2021	2,262,626
U.S. Treasury Notes in State and Local Government Series (SLGS)	7/1/2020	2,971
		<u>\$ 2,771,854</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, 2010, all certificates of deposit are entirely insured or collateralized with securities.

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE C – INVESTMENTS (continued)

Societe Generale – Guaranteed Investment Contract

The City has Societe Generale Guaranteed Investment Contract 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 – Guaranteed Investment Contract

The City has CDC Funding Corporation Guaranteed Investment Contract 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 2000A State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds reserve accounts.

Trinity Plus Funding Company - Guaranteed Investment Contract

The City has Trinity Plus Funding Company Guaranteed Investment Contracts 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 2000A State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds reserve accounts.

U.S. Treasury Notes (SLGS)

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

Interest Rate Risk

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

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE C – INVESTMENTS (continued)

Rolla Municipal Utilities

Investments of the Utility as of September 30, 2010, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Guaranteed Investment Contract	8/1/2011	<u>\$ 10,728,013</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, 2010, 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 limits its investments to those with maturities of less than 5 years to reduce interest rate risk.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE D – ACCOUNTS RECEIVABLE

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

Primary Government

	Accounts Receivable	Allowance	Net Accounts Receivable
TAXES RECEIVABLE			
General Fund	\$ 957,756	\$ 5,050	\$ 952,706
Street Fund	629,578	-	629,578
Recreation Center Fund	268,902	-	268,902
Park Fund	4,077	-	4,077
	<u>\$ 1,860,313</u>	<u>\$ 5,050</u>	<u>\$ 1,855,263</u>
UTILITIES RECEIVABLE			
Sewer Fund	\$ 290,249	\$ 6,200	\$ 284,049
Environmental Services Fund	296,081	-	296,081
	<u>\$ 586,330</u>	<u>\$ 6,200</u>	<u>\$ 580,130</u>
OTHER ACCOUNTS RECEIVABLE			
General Fund			
Fines	\$ 126,110	\$ 76,667	\$ 49,443
Special assessments	87,733	-	87,733
Other	29,644	-	29,644
	<u>243,487</u>	<u>76,667</u>	<u>166,820</u>
Street Fund			
Other	6,212	-	6,212
Recreation Center Fund			
Other	11,038	-	11,038
Airport Fund			
Other	5,650	-	5,650
	<u>\$ 266,387</u>	<u>\$ 76,667</u>	<u>\$ 189,720</u>

Rolla Municipal Utilities

	Accounts Receivable	Allowance	Net Accounts Receivable
Accounts Receivable			
Utilities receivable	\$ 951,295	\$ 60,000	\$ 891,295
Refundable deposits	8,220	-	8,220
	<u>\$ 959,515</u>	<u>\$ 60,000</u>	<u>\$ 899,515</u>
Other Miscellaneous Receivables	<u>\$ 16,222</u>	<u>\$ -</u>	<u>\$ 16,222</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE E – RESTRICTED CASH

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

	Restricted Cash and Investments	Reserved Fund Balance/ Restricted Net Assets
GENERAL FUND		
Court bonds	\$ 4,001	\$ -
Refundable permits	33,100	-
DNR energy savings project loan escrow account	374,048	374,048
	<u>\$ 411,149</u>	<u>\$ 374,048</u>
RECREATION CENTER FUND		
Depreciation and replacement	\$ 2,770,238	\$ 2,770,238
DNR energy savings project loan escrow account	220,053	220,053
	<u>\$ 2,990,291</u>	<u>\$ 2,990,291</u>
CEMETERY FUND		
Cemetery	<u>\$ 200,000</u>	<u>\$ 200,000</u>
SEWER FUND		
1996E Revenue Bonds		
Reserve account	\$ 205,800	\$ -
Rebate account	3,600	-
Debt service reserve	4,061	4,061
Principal and interest	29,221	29,221
2000A Revenue Bonds		
Reserve account	2,215,298	-
Rebate account	61,965	-
Principal and interest	116,139	116,139
2006B Revenue Bonds		
Rebate account	19,343	-
Principal and interest	37,912	37,912
DNR energy savings project loan escrow account	947,835	-
	<u>\$ 3,641,174</u>	<u>\$ 187,333</u>

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt of the City of Rolla consists of ten 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 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%.

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

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

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

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

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

The total annual minimum lease payments required at September 30, 2010, are as follows:

Year Ended September 30,	Under- Ground Storage Tank	DNR Energy Efficiency Project	City Hall Improvements	Caterpillar Backhoe	Fire Equipment
2011	\$ 29,001	\$ 74,337	\$ 187,621	\$ 10,753	\$ 18,484
2012	29,001	74,337	187,621	-	18,484
2013	-	74,337	187,621	-	-
2014	-	74,336	187,621	-	-
2015	-	74,337	187,621	-	-
2016	-	74,337	187,621	-	-
2017	-	74,337	187,621	-	-
2018	-	74,336	187,621	-	-
2019	-	74,337	187,621	-	-
2020	-	74,337	187,621	-	-
2021	-	74,337	187,621	-	-
2022	-	74,336	187,621	-	-
2023	-	74,337	187,621	-	-
2024	-	74,337	187,621	-	-
2025	-	74,337	93,811	-	-
2026	-	-	-	-	-
2027	-	-	-	-	-
TOTAL MINIMUM LEASE PAYMENTS	58,002	1,115,052	2,720,505	10,753	36,968
LESS AMOUNT REPRESENTING INTEREST	(5,567)	(286,024)	(711,299)	(482)	(2,274)
PRINCIPAL BALANCE, SEPTEMBER 30, 2010	\$ 52,435	\$ 829,028	\$ 2,009,206	\$ 10,271	\$ 34,694

(Table continued on next page)

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

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

Year Ended September 30,	Fire Truck	Copy Machines	Forest Land	Dumptrucks and Loader	Dumptruck	Total
2011	\$ 65,120	\$ 3,705	\$ 25,550	\$ 64,013	\$ 28,261	\$ 506,845
2012	65,120	3,385	25,550	64,013	28,261	495,772
2013	65,120	-	25,550	-	28,261	380,889
2014	65,120	-	25,550	-	28,261	380,888
2015	65,120	-	25,550	-	-	352,628
2016	65,120	-	25,550	-	-	352,628
2017	65,120	-	25,550	-	-	352,628
2018	65,120	-	25,550	-	-	352,627
2019	-	-	25,550	-	-	287,508
2020	-	-	25,550	-	-	287,508
2021	-	-	25,550	-	-	287,508
2022	-	-	25,550	-	-	287,507
2023	-	-	25,550	-	-	287,508
2024	-	-	25,550	-	-	287,508
2025	-	-	25,550	-	-	193,698
2026	-	-	25,550	-	-	25,550
2027	-	-	25,550	-	-	25,550
TOTAL MINIMUM LEASE PAYMENTS	520,960	7,090	434,350	128,026	113,044	5,144,750
LESS AMOUNT REPRESENTING INTEREST	(78,695)	(765)	(123,517)	(8,670)	(9,068)	(1,226,361)
PRINCIPAL BALANCE, SEPTEMBER 30, 2010	<u>\$ 442,265</u>	<u>\$ 6,325</u>	<u>\$ 310,833</u>	<u>\$ 119,356</u>	<u>\$ 103,976</u>	<u>\$ 3,918,389</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%.

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
2011	<u>\$ 598</u>	<u>\$ 9</u>	<u>\$ 607</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

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

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
2011	\$ 7,929	\$ 344	\$ 8,273
2012	3,203	60	3,263
	<u>\$ 11,132</u>	<u>\$ 404</u>	<u>\$ 11,536</u>

During 2009, the City entered into a Development agreement with Batis Development Company (“Developer”) and Walgreen Co. The 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 the 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 the 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 the 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, 2010, the total outstanding balance on the loan is \$75,474.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

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.

\$ 2,630,000

Principal and interest payments are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,300,000	\$ 61,140	\$ 1,361,140
2012	1,330,000	18,620	1,348,620
	<u>\$ 2,630,000</u>	<u>\$ 79,760</u>	<u>\$ 2,709,760</u>

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

\$ 4,830,000

Principal and interest payments are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 4,830,000</u>	<u>\$ 978,760</u>	<u>\$ 5,808,760</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

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, 2009	Additions	Retirements	Balance September 30, 2010
Capital Lease Obligations	\$ 3,297,468	\$ 961,266	\$ 340,345	\$ 3,918,389
Loan Obligations	156,736	-	69,532	87,204
General Obligation Bonds	9,110,000	-	1,650,000	7,460,000
Premium on Bonds	63,060	-	12,145	50,915
	9,173,060	-	1,662,145	7,510,915
Post-employment Benefit Liability	237,100	237,100	-	474,200
Compensated Absences	905,884	60,965	-	966,849
TOTAL	<u>\$ 13,770,248</u>	<u>\$ 1,259,331</u>	<u>\$ 2,072,022</u>	<u>\$ 12,957,557</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 July 12, 2010, the City entered into a lease purchase agreement to finance an energy savings project. The agreement requires semi-annual lease payments of \$59,298, which includes interest at 4.0%.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

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

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

The total annual minimum lease payments required at September 30, 2010, are as follows:

Year Ended September, 30	Backhoe	DNR Energy Efficiency Project	Total
2011	\$ 13,874	\$ 118,595	\$ 132,469
2012	-	118,596	118,596
2013	-	118,595	118,595
2014	-	118,596	118,596
2015	-	118,595	118,595
2016	-	118,596	118,596
2017	-	118,595	118,595
2018	-	118,596	118,596
2019	-	118,595	118,595
2020	-	118,596	118,596
2021	-	118,595	118,595
2022	-	118,596	118,596
2023	-	118,595	118,595
2024	-	118,596	118,596
2025	-	118,595	118,595
TOTAL MINIMUM LEASE PAYMENTS	13,874	1,778,932	1,792,806
LESS AMOUNT REPRESENTING INTEREST	(554)	(456,292)	(456,846)
PRINCIPAL BALANCE SEPTEMBER 30, 2010	<u>\$ 13,320</u>	<u>\$ 1,322,640</u>	<u>\$ 1,335,960</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

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

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, 2010, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
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>\$ 294,000</u>	<u>\$ 57,536</u>	<u>\$ 8,839</u>	<u>\$ 360,375</u>

2000A Wastewater System Revenue Bonds

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

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

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

The annual debt service requirements to amortize the principal on the 2000A revenue bonds outstanding at September 30, 2010, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
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>\$ 3,160,000</u>	<u>\$ 1,051,976</u>	<u>\$ 134,018</u>	<u>\$ 4,345,994</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, 2010

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, 2010, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
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>\$ 2,695,000</u>	<u>\$ 1,230,850</u>	<u>\$ 139,389</u>	<u>\$ 4,065,239</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, 2010:

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

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

	Balance September 30, 2009	Additions	Retirements	Balance September 30, 2010
Capital Lease Obligations	\$ 67,621	\$ 1,322,640	\$ 54,301	\$ 1,335,960
Revenue Bonds	6,524,000	-	375,000	6,149,000
Premium on bonds	80,537	-	4,737	75,800
	6,604,537	-	379,737	6,224,800
Compensated Absences	129,557	9,295	-	138,852
TOTAL	<u>\$ 6,801,715</u>	<u>\$ 1,331,935</u>	<u>\$ 434,038</u>	<u>\$ 7,699,612</u>

Rolla Municipal Utilities

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

Rolla Municipal Utilities entered into a lease purchase agreement during the year ended September 30, 2009, for construction of electric power substation, purchase transmission lines and related equipment. The lease agreement calls for varying monthly principal payments through fiscal 2029 with interest at 3.885%. Current maturity of lease principal is \$565,000.

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

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

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

The total annual minimum lease payments required at September 30, 2010, are as follows:

<u>Year Ended September, 30</u>	<u>Water Towers</u>	<u>Electric Substation</u>	<u>Total</u>
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
	<u>2,428,765</u>	<u>20,201,266</u>	<u>22,630,031</u>
	<u>(578,765)</u>	<u>(5,611,266)</u>	<u>(6,190,031)</u>
	<u>\$ 1,850,000</u>	<u>\$14,590,000</u>	<u>\$16,440,000</u>

The following table is a summary of the changes in the Utility's long-term debt for the year ended September 30, 2010:

Leases Payable, October 1	\$ 17,540,000
Additions	-
Deletions	<u>(1,100,000)</u>
Leases Payable, September 30	<u>\$ 16,440,000</u>

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

Primary Government

	Balance September 30, 2009	Additions	Deletions	Balance September 30, 2010
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 12,373,557	\$ 100,046	\$ -	\$ 12,473,603
Construction in progress	-	234,927	-	234,927
Total Non-depreciable Capital Assets	12,373,557	<u>\$ 334,973</u>	<u>\$ -</u>	12,708,530
Depreciable Capital Assets:				
Building and improvements	24,042,223	\$ 54,185	\$ -	24,096,408
Machinery and equipment	8,877,961	324,697	61,732	9,140,926
Infrastructure	71,575,787	1,916,803	-	73,492,590
Total Depreciable Capital Assets	104,495,971	<u>\$ 2,295,685</u>	<u>\$ 61,732</u>	106,729,924
Less Accumulated Depreciation				
Buildings and improvements	7,682,660	\$ 963,780	\$ -	8,646,440
Machinery and equipment	5,555,826	735,270	55,928	6,235,168
Infrastructure	22,336,438	1,878,988	-	24,215,426
Total Accumulated Depreciation	35,574,924	<u>\$ 3,578,038</u>	<u>\$ 55,928</u>	39,097,034
Total Depreciable Capital Assets, Net	<u>68,921,047</u>			<u>67,632,890</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 81,294,604</u>			<u>\$ 80,341,420</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE H – CAPITAL ASSETS (continued)

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

Administrative	\$ 154,948
Administrator	2,395
Finance	13,639
City court	1,276
911 telecommunications	8,363
Animal shelter	5,837
Police	141,778
Fire	290,306
Building maintenance	757
Engineering	16,884
Community development	5,533
Public works	2,074,834
Recreation	427,687
Park	175,610
Airport	253,922
Cemetery	4,269
	<u>\$ 3,578,038</u>

	Balance September 30, 2009	Additions	Deletions	Balance September 30, 2010
Business-Type Activities				
Sewer				
Non-depreciable Capital Assets:				
Land	\$ 279,246	\$ 29,990	\$ -	\$ 309,236
CIP	-	374,805	-	374,805
Total Non-depreciable Capital Assets	279,246	<u>\$ 404,795</u>	<u>\$ -</u>	684,041
Depreciable Capital Assets:				
Buildings	613,670	\$ -	\$ -	613,670
Equipment	1,458,669	60,448	37,372	1,481,745
Sewer collection system	29,056,971	62,282	-	29,119,253
Total Depreciable Capital Assets	31,129,310	<u>\$ 122,730</u>	<u>\$ 37,372</u>	31,214,668
Less Accumulated Depreciation				
Buildings	567,185	\$ 7,460	\$ -	574,645
Equipment	4,467,537	215,867	37,372	4,646,032
Sewer collection system	4,134,425	349,110	-	4,483,535
Total Accumulated Depreciation	9,169,147	<u>\$ 572,437</u>	<u>\$ 37,372</u>	9,704,212
Depreciable Capital Assets, Net	21,960,163			21,510,456

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2009	Additions	Deletions	Balance September 30, 2010
Environmental Services				
Non-depreciable Capital Assets:				
Land	670,663	\$ -	\$ -	670,663
Depreciable Capital Assets:				
Buildings	826,220	\$ -	\$ -	826,220
Equipment	2,981,244	121,829	75,237	3,027,836
Total Depreciable Capital Assets	3,807,464	\$ 121,829	\$ 75,237	3,854,056
Less Accumulated Depreciation				
Buildings	555,795	\$ 23,465	\$ -	579,260
Equipment	1,908,144	214,980	75,237	2,047,887
Total Accumulated Depreciation	2,463,939	\$ 238,445	\$ 75,237	2,627,147
Depreciable Capital Assets, Net	1,343,525			1,226,909
Total Capital Assets - Business-Type Activities, Net	\$ 24,253,597			\$ 24,092,069

Rolla Municipal Utilities

	Balance September 30, 2009	Additions	Deletions	Balance September 30, 2010
Business-Type Activities				
Non-Depreciable Capital assets:				
Land and easements	\$ 926,962	\$ 59,936	\$ -	\$ 986,898
Depreciable Capital Assets:				
Buildings and Improvements	4,013,259	\$ 1,065,750	\$ 475,737	4,603,272
Office furniture, fixtures and equipment	904,245	395,919	333,355	966,809
Transportation equipment	1,351,731	588,771	587,297	1,353,205
Distribution system	39,062,573	4,587,745	221,327	43,428,991
Production system	7,864,661	-	-	7,864,661
Total Depreciable Capital Assets	53,196,469	\$ 6,638,185	\$ 1,617,716	58,216,938

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2009	Additions	Deletions	Balance September 30, 2010
Less Accumulated Depreciation for:				
Buildings and improvements	2,643,299	\$ 127,090	\$ 3,195	2,767,194
Office furniture, fixtures & equipment	754,525	76,046	-	830,571
Transportation equipment	999,289	23,567	31,906	990,950
Distribution system	18,369,982	1,443,784	33,116	19,780,650
Production system	3,466,343	382,666	-	3,849,009
Total Accumulated Depreciation	<u>26,233,438</u>	<u>\$ 2,053,153</u>	<u>\$ 68,217</u>	<u>28,218,374</u>
Total Depreciable Capital Assets, net	<u>26,963,031</u>			<u>29,998,564</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 27,889,993</u>			<u>\$ 30,985,462</u>

NOTE I – EMPLOYEE PENSION PLAN

Plan Description

The City of Rolla participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan that provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

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

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE I – EMPLOYEE PENSION PLAN (continued)

Primary Government

Funding Status

Full-time employees of the City of Rolla do not contribute to the pension plan. The June 30th statutorily required contribution rates are 11.9% (General), 6.7% (Police) and 14.9% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

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

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

Annual required contribution	\$ 834,397
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>834,397</u>
Actual contributions	<u>834,397</u>
Increase (decrease) in NPO	-
NPO beginning of year	-
NPO end of year	<u><u>\$ -</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2007, and 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 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 as of February 28, 2007, was 15 years for the General division, 15 years for the Police division, and 15 years for the Fire division. The amortization period as of February 29, 2008, was 15 years for the General division, 15 years for the Police division, and 15 years for the Fire division.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE I – EMPLOYEE PENSION PLAN (continued)

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 747,333	100%	\$ -
2009	785,159	100%	-
2010	834,397	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 Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2010	\$ 13,727,350	\$ 16,993,797	\$ 3,266,447	81%	\$ 7,361,496	44%

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

Rolla Municipal Utilities

Funding Status

Full-time employees of Rolla Municipal Utilities do not contribute to the pension plan. The June 30th statutorily required contribution rate is 12.1% (General) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE I – EMPLOYEE PENSION PLAN (continued)

Annual Pension Cost

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

Annual required contribution	\$ 262,584
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>262,584</u>
Actual contributions	<u>662,584</u>
Increase (decrease) in NPO	-
NPO beginning of year	-
NPO end of year	<u><u>\$ (400,000)</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2007, and February 29, 2008, annual actuarial valuations 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, 2007, was 15 years for the General division. The amortization period as of February 29, 2008, was 15 years for the General division.

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 550,219	100%	\$ -
2009	264,805	100%	-
2010	262,584	252%	(400,000)

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

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 Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2010	\$ 3,397,202	\$ 6,438,887	\$ 3,041,685	53%	\$ 2,023,002	150%

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

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

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

Assessed Valuation	2009
Real estate	\$ 195,654,160
Personal property	38,086,945
TOTAL	<u>\$ 233,741,105</u>
Tax Rate Per \$100 of Assessed Valuation	2009
General levy	\$.4427
Library levy	.1847
Park levy	.1090
TOTAL	<u>\$.7364</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

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

The legal debt margin at September 30, 2010, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional debt limit	\$ 23,374,111	\$ 23,374,111	\$ 46,748,222
General Obligation Bonds payable	(7,460,000)	-	(7,460,000)
LEGAL DEBT MARGIN	<u>\$ 15,914,111</u>	<u>\$ 23,374,111</u>	<u>\$ 39,288,222</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, 2010, is accounted for as follows:

GENERAL FUND	
Special assessments	\$ 76,237
Court fines	11,444
Taxes	18,539
	<u>\$ 106,220</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE K – DEFERRED REVENUE (continued)

STREET FUND	
Taxes	<u>\$ 5,840</u>
PARK FUND	
Taxes	<u>\$ 4,635</u>

NOTE L – COMMITMENTS

Primary Government

At September 30, 2010, the City was committed to the following:

- Donald Maggi, Inc. in the amount of \$69,201 for street improvements.
- Siemens Industry, Inc. in the amount of \$1,422,703 for various energy improvement projects.
- DigIt Construction and Excavation, LLC in the amount of \$44,286 for demolition projects.

Landfill Closing Obligation

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

Rolla Municipal Utilities

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

NOTE L – COMMITMENTS (continued)

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

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

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

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

The net power cost charges by MoPEP to RMU for the year ended September 30, 2010, was \$18,688,509.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE M – RISK MANAGEMENT

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

NOTE N – DEFERRED BOND ISSUE COSTS

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

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

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

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

	Total Bond Issue Costs	Accumulated Amortization September 30, 2009	Current Amortization	Net Bond Issue Costs
Business-Type Activities	<u>\$ 164,794</u>	<u>\$ 54,903</u>	<u>\$ 8,239</u>	<u>\$ 101,652</u>
Governmental Activities	<u>\$ 197,715</u>	<u>\$ 98,052</u>	<u>\$ 13,928</u>	<u>\$ 85,735</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.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE O – SELF INSURANCE (continued)

The cash transactions of the health care plan are accounted for in the Self-Insurance Health Fund, and internal service fund. At September 30, 2010, 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 \$106,177. Changes in estimated benefit obligation during the past year are as follows:

Estimated Benefit Obligation, beginning of year	\$ 45,822
Claims incurred	1,804,815
Claims paid	<u>(1,744,460)</u>
Estimated Benefit Obligation, end of year	<u><u>\$ 106,177</u></u>

NOTE P – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2010, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 944,830	\$ 469,212
Street Fund	-	413,946
Recreation Center Fund	-	128,628
Park Fund	454,133	-
Airport Fund	86,488	-
Cemetery Fund	-	6,409
Sewer Fund	-	210,704
Environmental Services Fund	-	256,552
	<u><u>\$ 1,485,451</u></u>	<u><u>\$ 1,485,451</u></u>

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

NOTE Q – 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.

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, 2010:

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, 2009	Annual OPEB Cost	Employer Contributions	Balance September 30, 2010
Net OPEB Obligation			Net OPEB Obligation
<u><u>\$ 237,100</u></u>	<u><u>\$ 237,100</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 474,200</u></u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2010

NOTE Q – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

Funding Status and Funding Progress – As a pay-as-you-go plan, the plan was 0% funded at September 30, 2010.

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

Actuarial Methods and Assumptions – The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. In the 2009 actuarial valuation, the projected unit credit cost method was used, and the interest rate used for discounting liabilities was 4.0%. The actuarial valuation assumed a medical premium inflation rate based on long term health care trends generated by the Getzen Model. The medical premium inflation rate was 7.10% for 2010, 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 \$158,499 in FY 2010 for billing services. The City paid RMU \$792,816 in FY 2010 for water and electric services.

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE S – RELATED ORGANIZATIONS

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

NOTE T – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the Series 1996E, 2000A, and 2006B Water Pollution Control Revenue Bonds issued to improve and expand the sewer system. The bonds are payable solely from sewer customers net revenues and are payable through 2027. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$8.5 million. Principal and interest paid for the current year and total customer net revenues were \$695,042 and \$1,072,005, respectively.

NOTE U – RESTATEMENT

Net assets for governmental activities have been restated as of October 1, 2009, as follows:

Governmental Activities

Net Assets, as previously stated, September 30, 2009	\$ 74,037,687
Non-depreciable capital assets	<u>220,950</u>
Net Assets, as restated, October 1, 2009	<u>\$ 74,258,637</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROLLA, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended September 30, 2010

Missouri Local Government Employees Retirement System (LAGERS)

Primary Government

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Accrued Liability	(b-a) Unfunded (Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/29/2008	\$ 14,925,342	\$ 14,146,563	\$ (778,779)	106%	\$ 6,769,256	0%
2/28/2009	12,481,126	15,886,229	3,405,103	79%	7,285,674	47%
2/28/2010	13,727,350	16,993,797	3,266,447	81%	7,361,496	44%

Rolla Municipal Utilities

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Accrued Liability	(b-a) Unfunded (Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/29/2008	\$ 6,720,041	\$ 6,355,347	\$ (364,694)	106%	\$ 2,169,266	(17%)
2/28/2009	4,856,351	7,637,962	2,781,611	64%	2,147,290	130%
2/28/2010	3,397,202	6,438,887	3,041,685	53%	2,023,002	150%

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, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 845,400	\$ 867,700	\$ 874,768	\$ 7,068
City sales tax	3,811,623	3,661,623	3,635,725	(25,898)
Financial institution tax	5,550	1,687	1,687	-
Railroad and utility tax	8,100	8,100	-	(8,100)
Special assessments	850	850	595	(255)
Utility franchise tax	1,021,000	1,037,000	1,039,874	2,874
Motor vehicle tax	85,000	87,000	92,525	5,525
Payment in lieu of taxes	1,494,000	1,535,000	1,485,445	(49,555)
Lodging tax	265,000	287,000	299,389	12,389
Cigarette tax	130,000	127,000	127,479	479
	<u>7,666,523</u>	<u>7,612,960</u>	<u>7,557,487</u>	<u>(55,473)</u>
Licenses and Permits				
Occupational licenses	47,500	47,500	57,377	9,877
Building permits	70,000	70,000	75,138	5,138
Other	26,600	26,200	28,718	2,518
	<u>144,100</u>	<u>143,700</u>	<u>161,233</u>	<u>17,533</u>
Intergovernmental Revenues				
Landfill	13,500	12,000	12,028	28
RREC	118,000	110,000	105,136	(4,864)
Library	-	21,800	38,871	17,071
Grants	371,000	371,000	248,298	(122,702)
Other	424,000	441,600	447,458	5,858
	<u>926,500</u>	<u>956,400</u>	<u>851,791</u>	<u>(104,609)</u>
Charges for Services				
Fire dues and assessments	50,000	50,000	48,741	(1,259)
Fines and Forfeitures				
City court fines	200,000	190,000	213,622	23,622
Police training fees	6,500	6,000	6,138	138
	<u>206,500</u>	<u>196,000</u>	<u>219,760</u>	<u>23,760</u>
Miscellaneous				
Lease and rent income	13,000	13,000	12,470	(530)
Interest income	51,000	65,000	55,806	(9,194)
Animal shelter	13,000	14,700	14,948	248
Other	40,500	34,500	32,036	(2,464)
	<u>117,500</u>	<u>127,200</u>	<u>115,260</u>	<u>(11,940)</u>
TOTAL REVENUES	<u>9,111,123</u>	<u>9,086,260</u>	<u>8,954,272</u>	<u>(131,988)</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	921,365	913,865	933,752	(19,887)
Administrator	355,850	354,350	356,013	(1,663)
Finance	430,350	444,350	434,088	10,262
Legal services	69,075	71,875	72,261	(386)
City court	100,769	99,069	100,009	(940)
911 telecommunications	763,510	776,710	771,004	5,706
Animal shelter	157,220	157,220	153,795	3,425
Police	2,770,100	2,886,090	2,874,246	11,844
Fire	2,300,340	2,401,758	2,334,470	67,288
Building maintenance	101,450	125,383	128,949	(3,566)
Engineering	709,188	709,188	705,221	3,967
Community development	488,880	445,680	425,847	19,833
Library	-	47,200	40,667	6,533
Economic development	250,930	254,930	245,759	9,171
TOTAL EXPENDITURES	9,419,027	9,687,668	9,576,081	111,587
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	(307,904)	(601,408)	(621,809)	(20,401)
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	521,958	521,958	-
Operating transfers in	1,038,342	1,009,830	944,830	(65,000)
Operating transfers (out)	(398,724)	(476,212)	(469,212)	7,000
TOTAL OTHER FINANCING SOURCES (USES)	639,618	1,055,576	997,576	(58,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	331,714	454,168	375,767	(78,401)
FUND BALANCE, October 1	1,870,691	1,870,691	1,937,660	66,969
FUND BALANCE, September 30	<u>\$ 2,202,405</u>	<u>\$ 2,324,859</u>	<u>\$ 2,313,427</u>	<u>\$ (11,432)</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 4,342,124	\$ 4,183,624	\$ 4,168,379	\$ (15,245)
Intergovernmental revenues	100,000	168,000	160,584	(7,416)
Charges for services	70,750	70,750	17,333	(53,417)
Interest income	4,000	8,000	11,477	3,477
Miscellaneous	6,000	21,000	17,830	(3,170)
TOTAL REVENUES	4,522,874	4,451,374	4,375,603	(75,771)
EXPENDITURES				
Current				
Street	1,905,925	2,065,925	2,199,828	(133,903)
Capital improvements	1,825,500	1,877,798	1,439,513	438,285
Debt service				
Principal and interest	810,000	745,000	735,926	9,074
TOTAL EXPENDITURES	4,541,425	4,688,723	4,375,267	313,456
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(18,551)	(237,349)	336	237,685
OTHER FINANCING SOURCES (USES)				
Lease proceeds	130,000	132,238	132,238	-
Operating transfers (out)	(413,946)	(413,946)	(413,946)	-
TOTAL OTHER FINANCING SOURCES (USES)	(283,946)	(281,708)	(281,708)	-
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(302,497)	(519,057)	(281,372)	237,685
FUND BALANCE, October 1	942,722	942,722	1,037,839	95,117
FUND BALANCE, September 30	<u>\$ 640,225</u>	<u>\$ 423,665</u>	<u>\$ 756,467</u>	<u>\$ 332,802</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – RECREATION CENTER FUND
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 1,905,812	\$ 1,830,812	\$ 1,817,706	\$ (13,106)
Intergovernmental revenues	-	-	2,175	2,175
Charges for services	1,402,700	1,402,700	1,325,715	(76,985)
Interest income	90,000	90,000	76,037	(13,963)
Miscellaneous	2,500	2,500	4,835	2,335
TOTAL REVENUES	3,401,012	3,326,012	3,226,468	(99,544)
EXPENDITURES				
Current				
Guest services	216,000	216,000	216,121	(121)
Recreation	142,500	142,500	138,466	4,034
Aquatic	227,950	227,950	232,582	(4,632)
Fitness	186,550	186,550	178,877	7,673
Administration	495,400	582,400	579,792	2,608
Maintenance	357,400	357,400	332,405	24,995
SplashZone	137,100	137,100	130,365	6,735
Debt Service				
Principal and interest	1,340,000	1,340,000	1,353,627	(13,627)
TOTAL EXPENDITURES	3,102,900	3,189,900	3,162,235	27,665
EXCESS OF REVENUES OVER EXPENDITURES	298,112	136,112	64,233	(71,879)
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	307,070	307,070	-
Operating transfers (out)	(128,628)	(128,628)	(128,628)	-
TOTAL OTHER FINANCING SOURCES (USES)	(128,628)	178,442	178,442	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	169,484	314,554	242,675	(71,879)
FUND BALANCE, October 1	3,278,976	3,278,976	3,183,834	(95,142)
FUND BALANCE, September 30	<u>\$ 3,448,460</u>	<u>\$ 3,593,530</u>	<u>\$ 3,426,509</u>	<u>\$ (167,021)</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 211,300	\$ 214,700	\$ 215,558	\$ 858
Charges for services	116,600	111,600	107,251	(4,349)
Interest income	1,500	2,400	2,419	19
Miscellaneous	32,000	20,000	14,996	(5,004)
TOTAL REVENUES	361,400	348,700	340,224	(8,476)
EXPENDITURES				
Current				
Park	785,000	803,000	790,356	12,644
TOTAL EXPENDITURES	785,000	803,000	790,356	12,644
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	(423,600)	(454,300)	(450,132)	4,168
OTHER FINANCING SOURCES				
Operating transfers in	454,500	480,500	454,133	(26,367)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES				
	30,900	26,200	4,001	(22,199)
FUND BALANCE, October 1	26,448	26,448	18,059	(8,389)
FUND BALANCE, September 30	\$ 57,348	\$ 52,648	\$ 22,060	\$ (30,588)

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – AIRPORT FUND
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Intergovernmental revenue	\$ 50,000	\$ -	\$ -	\$ -
Charges for services	278,420	227,420	229,215	1,795
Interest income	5	40	44	4
Miscellaneous	1,075	1,635	1,310	(325)
TOTAL REVENUES	329,500	229,095	230,569	1,474
EXPENDITURES				
Current				
Airport	390,770	355,010	317,905	37,105
TOTAL EXPENDITURES	390,770	355,010	317,905	37,105
(DEFICIT) OF REVENUES OVER EXPENDITURES	(61,270)	(125,915)	(87,336)	38,579
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	51,488	86,488	35,000
Operating transfers (out)	(28,512)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(28,512)	51,488	86,488	35,000
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(89,782)	(74,427)	(848)	73,579
FUND BALANCE, October 1	164,239	164,239	36,262	(127,977)
FUND BALANCE, September 30	\$ 74,457	\$ 89,812	\$ 35,414	\$ (54,398)

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CEMETERY FUND
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services	\$ 20,000	\$ 20,000	\$ 5,450	\$ (14,550)
Interest income	5,500	5,500	6,409	909
TOTAL REVENUES	25,500	25,500	11,859	(13,641)
OTHER FINANCING (USES)				
Operating transfers (out)	(5,500)	(6,500)	(6,409)	91
EXCESS OF REVENUES OVER OTHER FINANCING (USES)	20,000	19,000	5,450	(13,550)
FUND BALANCE, October 1	252,002	252,002	251,130	(872)
FUND BALANCE, September 30	\$ 272,002	\$ 271,002	\$ 256,580	\$ (14,422)

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK LAND RESERVE FUND
 Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Interest income	\$ 3,000	\$ 3,000	\$ 690	\$ (2,310)
TOTAL REVENUES	3,000	3,000	690	(2,310)
EXPENDITURES				
Current				
Park	-	1,000	500	500
TOTAL EXPENDITURES	-	1,000	500	500
EXCESS OF REVENUES OVER EXPENDITURES	3,000	2,000	190	(1,810)
FUND BALANCE, October 1	122,765	122,765	123,534	769
FUND BALANCE, September 30	<u>\$ 125,765</u>	<u>\$ 124,765</u>	<u>\$ 123,724</u>	<u>\$ (1,041)</u>

CITY OF ROLLA, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2010

Budgets and Budgetary Accounting

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

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

OTHER FINANCIAL INFORMATION



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

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

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Rolla, Missouri as of and for the year ended September 30, 2010, and have issued our report thereon dated January 31, 2011. 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

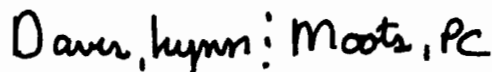
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the management of the City of Rolla, Missouri in a separate letter dated January 31, 2011.

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.

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

DAVIS, LYNN & MOOTS, P.C.
January 31, 2011