

CITY OF ROLLA, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

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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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2013, 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.

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rolla, Missouri's basic financial statements as a whole. The data contained under Other Financial Information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Other Financial Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
February 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2012**

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, 2012. 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 \$1,011,543 for the year as a result of current year activities. The net assets of the City's business activities increased \$905,176 for the year.
- The assets of the City exceeded its liabilities as of September 30, 2012, by \$97.5 million (net assets). Of this amount, \$7.3 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$459,019.
- Total estimated construction costs for fiscal year 2012 were \$17,472,291 compared to \$19,111,435 in fiscal year 2011. Overall 93 new housing units were added to the Rolla housing inventory in fiscal year 2012; 27 of which were single-family homes.
- Beginning in May 2010, various departments within the City of Rolla started an Energy Efficiency Program. These departments include: City Hall Building Services, Police Department, Fire Department, Sewer Department and the Centre. In 2012, the lease purchase financing associated with this project was refinanced with Series 2012 Certificates of Participation for a 15 year term with interest rates from 2.00% to 3.40%. The total project cost of \$2,755,000 has a projected annual savings of \$200,000.
- The City of Rolla collects a sales tax rate of 2.50% which is distributed among the General Fund (1%), Street Fund (1%), and the Parks and Recreation Fund (0.5%). In fiscal year 2012, the City received \$9,473,592 overall, which is a 1.73% increase for sales tax receipts received in fiscal year 2011. Since sales tax revenues account for approximately 39% of total revenue, sales tax revenues are monitored monthly and the budget is adjusted accordingly to ensure a balance between revenues and expenditures.
- The Recreation Center opened in 2002 and has completed its tenth full year of operations, achieving a 79% recapture rate. Overall, revenues for the Center decreased 6% (primarily due to a reduction in memberships) while expenses declined 5.5% (primarily due to reduction in staff through retirement). SplashZone ended the year with a 85% recapture rate. Revenues for SplashZone decreased 1% (primarily due to two new facilities opening within the target market) while expenditures increased 7%.

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, 2012**

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, 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 rather than 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 particular purposes 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, 2012**

- 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, 2012 and 2011:

	Governmental Activities	Business-Type Activities	Total September 30, 2012	Total September 30, 2011
Current and other assets	\$ 9,359,348	\$ 6,964,468	\$ 16,323,816	\$ 14,962,967
Capital assets	77,780,286	25,266,361	103,046,647	103,560,393
TOTAL ASSETS	87,139,634	32,230,829	119,370,463	118,523,360
Other liabilities	2,582,911	1,354,202	3,937,113	4,547,710
Long-term liabilities outstanding	9,590,474	8,299,397	17,889,871	18,348,890
TOTAL LIABILITIES	12,173,385	9,653,599	21,826,984	22,896,600
Net assets:				
Invested in capital assets				
net of related debt	70,430,805	18,584,073	89,014,878	86,535,685
Restricted	510,023	708,185	1,218,208	1,005,386
Unrestricted	4,025,421	3,284,972	7,310,393	8,085,689
TOTAL NET ASSETS	\$ 74,966,249	\$ 22,577,230	\$ 97,543,479	\$ 95,626,760

Total net assets of the City increased \$1,916,719 for the year due to current year activity. Total liabilities for the City have decreased by \$1,069,616 due to the repayment of bond principal and capital lease principal. Net capital assets for the governmental activities totaled \$77.8 million as of September 30, 2012.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2012**

CHANGE IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2012	Total Year Ended September 30, 2011
REVENUES				
Program Revenues				
Charges for services	\$ 3,398,880	\$ 5,938,656	\$ 9,337,536	\$ 9,151,707
Operating grants and contributions	345,711	13,135	358,846	582,321
Capital grants and contributions	983,656	365,168	1,348,824	200,903
General Revenues			-	
Property taxes	1,134,851	-	1,134,851	1,131,122
Sales taxes	9,511,689	-	9,511,689	9,377,786
Motor vehicle taxes	694,615	-	694,615	621,509
Payment in lieu of taxes	1,555,975	-	1,555,975	1,479,825
Other taxes	414,951	-	414,951	423,120
Franchise fees	684,038	-	684,038	821,949
Interest	307,843	264,575	572,418	420,268
Other revenue	84,225	12,084	96,309	135,711
Transfers	636,708	(636,708)	-	-
TOTAL REVENUES	19,753,142	5,956,910	25,710,052	24,346,221
EXPENSES				
General government and other	5,638,369	-	5,638,369	4,892,445
Public safety	5,557,549	-	5,557,549	5,832,413
Public works and maintenance	4,290,297	-	4,290,297	4,761,551
Parks and recreation	2,584,095	-	2,584,095	3,082,534
Airport	671,289	-	671,289	604,772
Sewer	-	2,260,051	2,260,051	2,236,310
Environmental services	-	2,791,683	2,791,683	2,688,525
TOTAL EXPENSES	18,741,599	5,051,734	23,793,333	24,098,550
INCREASE IN NET ASSETS	\$ 1,011,543	\$ 905,176	\$ 1,916,719	\$ 247,671

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2012**

Governmental Activities

Governmental activities increased the net assets of the City by \$1,011,543. Total tax revenues for the City were \$14.0 million, which represents 73% of the financing of these activities. Program revenues for the functions totaled \$4.7 million or 25% of the funding. The following table shows the cost of the City's programs as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

NET COST OF THE CITY OF ROLLA'S GOVERNMENTAL ACTIVITIES

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government and other	\$ 5,638,369	\$ 3,677,056
Public safety	5,557,549	4,688,918
Public works and maintenance	4,290,297	3,967,593
Parks and recreation	2,584,095	1,351,834
Airport	671,289	327,951
	<u>\$ 18,741,599</u>	<u>\$ 14,013,352</u>

Business-Type Activities

Business-type activities increased the City's net assets by \$905,176. Last year the business-type activities increased \$661,595.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2012, were \$7.0 million. The General Fund decreased by \$77,856. The Street Fund increased by \$371,974. The Parks and Recreation Fund decreased by \$51,911. The Airport Fund increased by \$626,449. The Cemetery Fund increased by \$4,824. The Park Land Reserve Fund decreased by \$20,021.

The General Fund overall budget had an operating increase in fiscal year 2012 in the amount of \$98,337, but ended the year with a deficit of \$77,856. After a 2.31% increase in fiscal year 2011, sales tax receipts continued to increase by 1.73% in 2012. The General Fund receives approximately 39% 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 \$1,970,697 (17%) at fiscal year end, but the savings of several early retirements did not take effect until late in fiscal year 2012.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2012**

From 2002 through September 30, 2012, the Fire Department received approval for a total of \$1,450,000 in Weapons of Mass Destruction Grants through the Department of Homeland Security. 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 2013.

Revenues were budgeted to exceed expenditures by \$731,108 in the Street Fund in 2012, but ended with an excess of \$371,974. 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 increased 1.73% in fiscal year 2012.

The ½ cent Parks and Recreation (Park) tax revenue increased 1.74% and will sunset in December 2013. Total Parks and Recreation operating revenues equaled \$1,236,647 and total operating expenditures, which exclude debt service, equaled \$2,442,973 for the Centre, SplashZone and Park system. Fiscal year 2012 was the tenth 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 79%. SplashZone achieved an 85% recapture rate in fiscal year 2012.

General Fund Budgetary Highlights

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

- The original revenue budget of \$9,821,325 was increased to \$10,022,150.
- The total original expenditures budget of \$10,521,670 was increased to \$11,400,142.
- The original budget for lease proceeds and transfers of \$948,929 was increased to \$1,476,329.

Fiscal year end budget adjustments were presented and approved by City Council at the December 3, 2012, meeting. The year-end budget adjustments were done to comply with Chapter 67, RSMo. The overall year-end budget adjustments increased revenues \$7,237,375 (primarily due to the energy efficiency expenditures of \$117,417, COP refinancing of energy efficiency costs of \$2,120,603, G.O. Bond refunding of \$3,588,725, and depreciation expense for sewer and environmental services of \$814,316) and increased expenditures \$7,301,962 (primarily due to COP refinancing of energy efficiency costs of \$2,093,400, COP for Airport improvements of \$609,700, and G.O. Bond refunding of \$3,599,300).

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$77.8 million (net of accumulated depreciation) as of September 30, 2012. This represents a decrease of \$1,557,190 from the prior year due primarily to current year provisions for depreciation. Net capital assets for business-type activities were \$25 million as of September 30, 2012. This represents an increase of \$1,043,444 from the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2012**

Debt

Total debt and long-term obligations of the governmental activities as of September 30, 2012, was \$10.5 million, which is a decrease of \$1,100,260 due to current year principal payments, the issuance of Certificates of Participation to refinance the Energy Efficiency lease, a new police vehicle capital lease, and a bond refunding.

Total debt and long-term obligations of the business-type activities as of September 30, 2012, was \$8.8 million, which is down by \$402,641 from the prior year due to payments made on the City's capital leases and revenue bonds and the issuance of Certificates of Participation to refinance the Energy Efficiency lease.

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 over the contract term, contributions have been reduced from \$115,000 to \$85,000. The City continues to promote development along I-44 including “Rolla West”, Bryant Drive extension and Kingshighway improvements. The City also entered into its first TIF Redevelopment project with Kohl's which opened March 2012. In addition, the City has made infrastructure development at the Rolla National Airport a priority in support of new industrial prospects.

Sales tax revenues increased 1.73% in fiscal year 2012. Staff will continue to monitor the situation closely but anticipates sales tax growth of 1% in fiscal year 2013. Rolla has a solid economic base with a low unemployment rate, solid tourism trends, and sustained growth with healthcare, education, and Fort Leonard Wood. The loss of employment from Briggs & Stratton and Cantex continues to adversely impact the local economy but new or expanding projects, such as Kohl's, Brewer Science, and MoSci, pose significant strengths and opportunities for continued growth.

The City's self-funded health insurance program ended calendar year 2012 with an employee contribution rate of 30.73%. 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.

A new consolidated public services facility was completed in February 2013. Phase I of the project included a new vehicle services facility and a new sanitation division workshop.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2012**

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, 2012

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Rolla Municipal Utilities
ASSETS				
Cash and cash equivalents - unrestricted	\$ 4,723,251	\$ 3,052,739	\$ 7,775,990	\$ 21,684,216
Taxes receivable, net	2,097,580	-	2,097,580	-
Utilities receivable, net	-	578,316	578,316	1,034,929
Other accounts receivable, net	378,741	-	378,741	357,203
Court fines receivable, net	59,797	-	59,797	-
Intergovernmental receivable	27,837	337,068	364,905	-
Accrued interest receivable	-	25,120	25,120	-
Inventory	45,882	-	45,882	786,721
Prepaid expenses	439,398	78,126	517,524	158,784
Restricted cash and cash equivalents	1,278,108	653,769	1,931,877	-
Restricted investments	-	2,154,157	2,154,157	-
Special assessments receivable	147,151	-	147,151	-
Deferred bond issuance costs	161,603	85,173	246,776	-
Capital Assets:				
Non-depreciable	12,838,870	2,203,062	15,041,932	2,838,817
Depreciable, net	64,941,416	23,063,299	88,004,715	39,033,770
TOTAL ASSETS	87,139,634	32,230,829	119,370,463	65,894,440
LIABILITIES				
Current				
Accounts payable	1,092,450	579,773	1,672,223	1,590,751
Accrued expenses	322,319	70,022	392,341	27,234
Police evidence payable	68,414	-	68,414	-
Deposits payable	-	-	-	1,443,774
Court bonds payable	4,578	-	4,578	-
Refundable permits	95,093	-	95,093	-
Accrued interest payable	55,358	76,282	131,640	27,599
Arbitrage payable	-	83,944	83,944	-
Current maturities of long-term debt	944,699	544,181	1,488,880	730,000
	2,582,911	1,354,202	3,937,113	3,819,358
Noncurrent				
Capital leases payable	2,900,203	-	2,900,203	14,338,000
Certificates of participation payable	1,363,218	1,161,782	2,525,000	-
General obligation bonds payable	3,504,579	-	3,504,579	-
Revenue bonds payable	-	4,976,325	4,976,325	-
Payable to other governments	-	2,015,798	2,015,798	-
Post employment benefit liability	670,200	-	670,200	-
Post employment pension liability	209,105	-	209,105	-
Compensated absences payable	943,169	145,492	1,088,661	130,727
	9,590,474	8,299,397	17,889,871	14,468,727
TOTAL LIABILITIES	12,173,385	9,653,599	21,826,984	18,288,085
NET ASSETS				
Invested in capital assets, net of related debt	70,430,805	18,584,073	89,014,878	26,804,587
Restricted	510,023	708,185	1,218,208	-
Unrestricted	4,025,421	3,284,972	7,310,393	20,801,768
TOTAL NET ASSETS	\$ 74,966,249	\$ 22,577,230	\$ 97,543,479	\$ 47,606,355

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

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	\$ (1,450,797)	\$ 77,052	\$ 74,952	\$ 18,500	\$ (1,280,293)	\$ -	\$ (1,280,293)	\$ -
Administrator	(393,857)	-	-	-	(393,857)	-	(393,857)	-
Finance	(480,308)	10,800	-	-	(469,508)	-	(469,508)	-
Legal services	(60,347)	-	-	-	(60,347)	-	(60,347)	-
City court	(84,400)	5,800	-	-	(78,600)	-	(78,600)	-
911 telecommunications	(957,580)	944,789	-	-	(12,791)	-	(12,791)	-
Animal shelter	(165,862)	13,610	-	441,502	289,250	-	289,250	-
Police	(2,809,183)	205,127	253,210	88,457	(2,262,389)	-	(2,262,389)	-
Fire	(2,748,366)	51,105	1,000	269,732	(2,426,529)	-	(2,426,529)	-
Building maintenance	(166,751)	-	-	-	(166,751)	-	(166,751)	-
Engineering	(697,041)	-	-	-	(697,041)	-	(697,041)	-
Community development	(393,522)	62,288	-	-	(331,234)	-	(331,234)	-
Library	(161,749)	171,785	-	-	10,036	-	10,036	-
Economic development	(222,713)	114,850	-	-	(107,863)	-	(107,863)	-
Public works	(4,123,546)	172,988	-	149,716	(3,800,842)	-	(3,800,842)	-
Parks and recreation	(2,584,095)	1,215,712	16,549	-	(1,351,834)	-	(1,351,834)	-
Airport	(671,289)	327,589	-	15,749	(327,951)	-	(327,951)	-
Cemetery	(1,984)	25,385	-	-	23,401	-	23,401	-
Debt service	(568,209)	-	-	-	(568,209)	-	(568,209)	-
TOTAL GOVERNMENTAL ACTIVITIES	(18,741,599)	3,398,880	345,711	983,656	(14,013,352)	-	(14,013,352)	-
Business-Type Activities								
Sewer	(2,260,051)	2,880,144	-	365,168	-	985,261	985,261	-
Environmental services	(2,791,683)	3,058,512	13,135	-	-	279,964	279,964	-
TOTAL BUSINESS-TYPE ACTIVITIES	(5,051,734)	5,938,656	13,135	365,168	-	1,265,225	1,265,225	-
TOTAL PRIMARY GOVERNMENT	\$ (23,793,333)	\$ 9,337,536	\$ 358,846	\$ 1,348,824	(14,013,352)	1,265,225	(12,748,127)	-

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended September 30, 2012

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	\$ (27,118,453)	\$ 29,255,347	\$ -	\$ 38,293	-	-	-	2,175,187	
		General Revenues:							
					Property taxes	1,134,851	-	1,134,851	-
					Sales taxes	9,511,689	-	9,511,689	-
					Motor vehicle taxes	694,615	-	694,615	-
					Payment in lieu of taxes	1,555,975	-	1,555,975	-
					Other taxes	414,951	-	414,951	-
					Franchise fees	684,038	-	684,038	-
					Interest	307,843	264,575	572,418	283,235
					Other revenue	84,225	12,084	96,309	224,405
					Transfers	636,708	(636,708)	-	-
					Total General Revenues and Transfers	15,024,895	(360,049)	14,664,846	507,640
					Changes in Net Assets	1,011,543	905,176	1,916,719	2,682,827
					Net Assets, Beginning of year	73,954,706	21,672,054	95,626,760	44,923,528
					Net Assets, End of year	\$ 74,966,249	\$ 22,577,230	\$ 97,543,479	\$ 47,606,355

See accompanying notes.

CITY OF ROLLA, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2012

	General Fund	Street Fund	Parks and Recreation Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 159,665	\$ 724,791	\$ 2,913,484	\$ 14,699	\$ 277,470	\$ 105,100	\$ 4,195,209
Taxes receivable, net	1,081,229	701,378	314,973	-	-	-	2,097,580
Other accounts receivable	243,340	93,847	1,787	10,681	-	-	349,655
Court fines receivable, net	59,797	-	-	-	-	-	59,797
Intergovernmental receivable	8,878	1,900	-	17,059	-	-	27,837
Inventory	-	-	-	45,882	-	-	45,882
Prepaid expenses	312,409	42,774	75,496	8,719	-	-	439,398
Special assessments receivable	147,151	-	-	-	-	-	147,151
Restricted cash and cash equivalents	678,108	-	-	600,000	-	-	1,278,108
TOTAL ASSETS	\$ 2,690,577	\$ 1,564,690	\$ 3,305,740	\$ 697,040	\$ 277,470	\$ 105,100	\$ 8,640,617
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 219,232	\$ 710,164	\$ 77,132	\$ 3,873	\$ -	\$ 690	\$ 1,011,091
Accrued expenses	239,389	30,737	47,560	4,293	-	-	321,979
Police evidence payable	68,414	-	-	-	-	-	68,414
Court bonds payable	4,578	-	-	-	-	-	4,578
Refundable permits	95,093	-	-	-	-	-	95,093
Deferred revenue	93,174	6,596	-	-	-	-	99,770
TOTAL LIABILITIES	719,880	747,497	124,692	8,166	-	690	1,600,925

See accompanying notes.

CITY OF ROLLA, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2012

	General Fund	Street Fund	Parks and Recreation Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	Total Governmental Funds
Fund Balances							
Nonspendable:							
Inventory	-	-	-	45,882	-	-	45,882
Prepaid expenses	312,409	42,774	75,496	8,719	-	-	439,398
Restricted for:							
Police	67,871	-	-	-	-	-	67,871
Animal shelter	442,142	-	-	-	-	-	442,142
Property fire deposits	5	-	-	-	-	-	5
TIFs	5	-	-	-	-	-	5
Committed to:							
Depreciation and replacement	-	-	2,913,484	-	-	-	2,913,484
Cemetery	-	-	-	-	200,000	-	200,000
Assigned to:							
Risk management	633,202	31,061	54,822	6,332	-	-	725,417
Street	-	743,358	-	-	-	-	743,358
Parks and recreation	-	-	137,246	-	-	-	137,246
Airport	-	-	-	627,941	-	-	627,941
Cemetery	-	-	-	-	77,470	-	77,470
Park land reserve	-	-	-	-	-	104,410	104,410
Unassigned	515,063	-	-	-	-	-	515,063
TOTAL FUND BALANCES	1,970,697	817,193	3,181,048	688,874	277,470	104,410	7,039,692
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,690,577	\$ 1,564,690	\$ 3,305,740	\$ 697,040	\$ 277,470	\$ 105,100	\$ 8,640,617

See accompanying notes.

CITY OF ROLLA, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET ASSETS
September 30, 2012

Fund balance - total governmental funds	\$ 7,039,692
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	122,661,375
Less accumulated depreciation	<u>(44,881,089)</u>
	77,780,286
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(55,358)
Adjustment of deferred revenue	99,770
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(10,604,071)
Unamortized deferred loss on bond refunding	68,898
Unamortized debt issuance costs	161,603
The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets	<u>(52,613)</u>
Net assets of governmental activities	<u><u>\$ 74,438,207</u></u>

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended September 30, 2012

	General Fund	Street Fund	Parks and Recreation Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	Total Governmental Funds
REVENUES							
Taxes	\$ 7,486,279	\$ 4,395,423	\$ 2,140,723	\$ -	\$ -	\$ -	\$ 14,022,425
Licenses and permits	139,340	-	-	-	-	-	139,340
Intergovernmental revenues	1,950,555	149,716	-	15,749	-	-	2,116,020
Charges for services	51,105	172,988	1,236,647	327,589	4,450	-	1,792,779
Fines and forfeitures	208,447	-	-	-	-	-	208,447
Interest income	54,280	160,469	81,612	4,027	6,935	520	307,843
Miscellaneous	509,428	20,247	20,000	6,212	-	-	555,887
TOTAL REVENUES	10,399,434	4,898,843	3,478,982	353,577	11,385	520	19,142,741
EXPENDITURES							
Current							
Administrative	1,502,126	-	-	-	-	-	1,502,126
Administrator	382,941	-	-	-	-	-	382,941
Finance	472,630	-	-	-	-	-	472,630
Legal services	59,682	-	-	-	-	-	59,682
City court	82,854	-	-	-	-	-	82,854
911 telecommunications	939,515	-	-	-	-	-	939,515
Animal shelter	157,989	-	-	-	-	-	157,989
Police	3,636,148	-	-	-	-	-	3,636,148
Fire	2,572,018	-	-	-	-	-	2,572,018
Building maintenance	101,326	-	-	-	-	-	101,326
Engineering	677,034	-	-	-	-	-	677,034
Community development	383,059	-	-	-	-	-	383,059
Library	159,869	-	-	-	-	-	159,869
Economic development	220,097	-	-	-	-	-	220,097
Public works	-	3,443,883	-	-	-	-	3,443,883
Parks and recreation	-	-	2,442,973	-	-	-	2,442,973
Park	-	-	-	-	-	20,541	20,541
Airport	-	-	-	493,985	-	-	493,985
Debt Service							
Principal and interest	-	4,210,200	1,657,746	-	-	-	5,867,946
TOTAL EXPENDITURES	11,347,288	7,654,083	4,100,719	493,985	-	20,541	23,616,616

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
Year Ended September 30, 2012

	General Fund	Street Fund	Parks and Recreation Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	Total Governmental Funds
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(947,854)	(2,755,240)	(621,737)	(140,408)	11,385	(20,021)	(4,473,875)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	3,445,000	-	-	-	-	3,445,000
Lease proceeds	865,466	-	295,072	609,692	-	-	1,770,230
Operating transfers in (out)	4,532	(317,786)	274,754	157,165	(6,561)	-	112,104
TOTAL OTHER FINANCING SOURCES (USES)	869,998	3,127,214	569,826	766,857	(6,561)	-	5,327,334
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(77,856)	371,974	(51,911)	626,449	4,824	(20,021)	853,459
FUND BALANCE, October 1	2,048,553	445,219	3,232,959	62,425	272,646	124,431	6,186,233
FUND BALANCE, September 30	\$ 1,970,697	\$ 817,193	\$ 3,181,048	\$ 688,874	\$ 277,470	\$ 104,410	\$ 7,039,692

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, 2012

Net change in fund balances - total governmental funds	\$ 853,459
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	2,496,788
Depreciation	(3,370,106)
Disposal of capital assets, net	(683,872)
	<u>1,557,190</u>
Some revenues reported in the governmental funds represent current financial resources and were recognized in the Statement of Activities when earned	(26,307)
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:	
Bond proceeds	(3,445,000)
COP proceeds	(1,484,037)
Lease proceeds	(286,193)
Repayment of principal on bonds, COPs, leases and loans	6,370,415
Issuance cost and loss amortization	158,693
Change in accrued interest payable	2,291
	<u>1,316,169</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	(123,823)
The Internal Service Fund is 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	<u>21,193</u>
Change in net assets of governmental activities	<u>\$ 483,501</u>

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
September 30, 2012

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,119,712	\$ 1,933,027	\$ 3,052,739	\$ -
Utilities receivable, net	376,657	201,659	578,316	-
Intergovernmental receivable	337,068	-	337,068	-
Other accounts receivable	-	-	-	29,086
Accrued interest receivable	25,120	-	25,120	-
Prepaid expenses	29,104	49,022	78,126	-
TOTAL CURRENT ASSETS	1,887,661	2,183,708	4,071,369	29,086
Restricted Assets				
Cash and cash equivalents	653,769	-	653,769	528,042
Investments	2,154,157	-	2,154,157	-
TOTAL RESTRICTED ASSETS	2,807,926	-	2,807,926	528,042
Deferred Bond Issuance Costs	85,173	-	85,173	-
Property, Plant and Equipment				
Land	337,337	670,663	1,008,000	-
Construction in progress	-	1,195,062	1,195,062	-
Buildings	1,840,969	826,220	2,667,189	-
Sewer treatment plant	14,929,954	-	14,929,954	-
Sewer mains and lines	12,905,992	-	12,905,992	-
Manhole covers	1,459,701	-	1,459,701	-
Major moveable equipment	1,562,867	2,988,448	4,551,315	-
	33,036,820	5,680,393	38,717,213	-
Less accumulated depreciation	(10,846,423)	(2,604,429)	(13,450,852)	-
TOTAL PROPERTY, PLANT AND EQUIPMENT	22,190,397	3,075,964	25,266,361	-
TOTAL ASSETS	26,971,157	5,259,672	32,230,829	557,128

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS (continued)
September 30, 2012

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	70,758	509,015	579,773	81,359
Accrued expenses	25,913	44,109	70,022	340
Accrued interest payable	76,282	-	76,282	-
Arbitrage payable	83,944	-	83,944	-
Current maturities of long-term debt	544,181	-	544,181	-
TOTAL CURRENT LIABILITIES	801,078	553,124	1,354,202	81,699
Long-Term Liabilities				
Certificates of participation payable	1,161,782	-	1,161,782	-
Revenue bonds payable	4,976,325	-	4,976,325	-
Payable to other governments	2,015,798	-	2,015,798	-
Compensated absences payable	50,804	94,688	145,492	-
TOTAL LONG-TERM LIABILITIES	8,204,709	94,688	8,299,397	-
TOTAL LIABILITIES	9,005,787	647,812	9,653,599	81,699
Net Assets				
Invested in capital assets, net of related debt	15,508,109	3,075,964	18,584,073	-
Restricted	708,185	-	708,185	-
Unrestricted	1,749,076	1,535,896	3,284,972	475,429
TOTAL NET ASSETS	\$ 17,965,370	\$ 4,611,860	\$ 22,577,230	\$ 475,429

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
Year Ended September 30, 2012

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
OPERATING REVENUES				
Charges for services	\$ 2,880,144	\$ 3,058,512	\$ 5,938,656	\$ -
Charges to other departments	-	-	-	1,732,613
Contributions - employees	-	-	-	558,367
TOTAL OPERATING REVENUES	2,880,144	3,058,512	5,938,656	2,290,980
OPERATING EXPENSES				
Personnel services	661,171	1,242,126	1,903,297	-
Contractual services	129,529	14,826	144,355	-
Repairs and maintenance	97,707	141,497	239,204	-
Supplies	106,922	378,799	485,721	-
Utilities	249,504	32,113	281,617	-
Insurance claims and expenses	34,936	66,602	101,538	2,269,787
Landfill	-	695,381	695,381	-
Depreciation	586,831	209,836	796,667	-
Miscellaneous	6,731	10,503	17,234	-
TOTAL OPERATING EXPENSES	1,873,331	2,791,683	4,665,014	2,269,787
OPERATING INCOME	1,006,813	266,829	1,273,642	21,193
NONOPERATING REVENUES (EXPENSES)				
Interest income	220,353	44,222	264,575	3,438
Other revenue	80	13,145	13,225	-
Capital contributions	365,168	-	365,168	-
Interest expense	(386,720)	-	(386,720)	-
Gain on sale of equipment	-	11,994	11,994	-
TOTAL NONOPERATING REVENUES (EXPENSES)	198,881	69,361	268,242	3,438
INCOME BEFORE OPERATING TRANSFERS	1,205,694	336,190	1,541,884	24,631
OPERATING TRANSFERS IN (OUT)	(292,209)	(344,499)	(636,708)	524,604
NET INCOME (LOSS)	913,485	(8,309)	905,176	549,235
NET ASSETS (DEFICIT), October 1	17,051,885	4,620,169	21,672,054	(73,806)
NET ASSETS, September 30	\$ 17,965,370	\$ 4,611,860	\$ 22,577,230	\$ 475,429

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2012

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,520,070	\$ 3,140,969	\$ 5,661,039	\$ 2,334,108
Cash paid to suppliers	(652,911)	(934,349)	(1,587,260)	(2,334,108)
Cash paid to employees	(653,980)	(1,245,412)	(1,899,392)	-
Other cash received for nonoperating revenues	80	13,145	13,225	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,213,259	974,353	2,187,612	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due (to) other governments	(209,300)	-	(209,300)	-
Operating transfer in (out)	(292,209)	(344,499)	(636,708)	524,604
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(501,509)	(344,499)	(846,008)	524,604
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of long-term debt	1,270,963	-	1,270,963	-
Capital contributions received	365,168	-	365,168	-
Purchase of fixed assets	(413,224)	(1,456,942)	(1,870,166)	-
Proceeds from sale of fixed assets	-	42,050	42,050	-
Payment of bond principal	(418,737)	-	(418,737)	-
Payment of interest expense	(387,716)	-	(387,716)	-
Payment of principal on capital leases	(1,257,864)	-	(1,257,864)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(841,410)	(1,414,892)	(2,256,302)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	222,809	44,222	267,031	3,438
Maturity of investments	227,511	-	227,511	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	450,320	44,222	494,542	3,438
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	320,660	(740,816)	(420,156)	528,042
CASH AND CASH EQUIVALENTS, Beginning of year	1,452,821	2,673,843	4,126,664	-
CASH AND CASH EQUIVALENTS, End of year	\$ 1,773,481	\$ 1,933,027	\$ 3,706,508	\$ 528,042

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (continued)
Year Ended September 30, 2012

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 1,006,813	\$ 266,829	\$ 1,273,642	\$ 21,193
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	586,831	209,836	796,667	-
(Increase) decrease in:				
Utilities receivable	(23,006)	82,457	59,451	-
Intergovernmental receivable	(337,068)	-	(337,068)	-
Other accounts receivable	-	-	-	43,128
Prepaid expenses	(3,869)	1,239	(2,630)	-
Increase (decrease) in:				
Accounts payable	(23,232)	404,133	380,901	(64,321)
Accrued expenses	3,144	(2,235)	909	-
Compensated absences	4,047	(1,051)	2,996	-
Arbitrage payable	(481)	-	(481)	-
Other cash received for nonoperating revenues	80	13,145	13,225	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,213,259</u>	<u>\$ 974,353</u>	<u>\$ 2,187,612</u>	<u>\$ -</u>

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 Section 1600.131 (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, 2012, 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 not accounted for in other funds.

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

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

Airport Fund: The Airport Fund is used to account for charges for services and expenditures that are restricted, committed, or assigned for the City Airport.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Park Land Reserve Fund: The Park Land Reserve Fund is used to account for proceeds that are restricted, committed, or assigned from the sale of park land.

The City reports the following major proprietary funds:

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

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

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

Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$5,000 or greater and an estimated useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their 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.

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-fourth (1/4) regular pay [one sixth (1/6) regular pay for nonexempt fire personnel] for the first nine weeks unused sick leave and one-half (1/2) regular pay [one-third (1/3) regular pay for fire personnel] for any unused sick leave above nine weeks to a maximum of 18 weeks in total.

Liabilities for compensated absences are determined at the end of the year based on current salary rates. Compensated absences are reported in the Statement of Net 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 of investments are determined by closing market prices at year-end as reported by the 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.

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance – This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Council removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

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

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.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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, 2012, all bank balances on deposit are entirely insured or collateralized.

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, 2012, 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, 2012, are as follows:

Investment Type	Maturity	Amount
Guaranteed Investment Contracts	1/1/2019 - 7/1/2021	\$ 2,153,972
U.S. Treasury Notes in State and Local Government Series (SLGS)	7/1/2020	185
		<u>\$ 2,154,157</u>

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE C – INVESTMENTS (continued)

Guaranteed Investment Contracts

The City has Guaranteed Investment Contracts 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 trust accounts for the 1996E and 2000A Combined Waterworks and Sewerage System Revenue Bonds reserve accounts. The City's funds are invested under the State Revolving Fund Program and are required to be collateralized in the amount of 100% of the value of the investment.

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.

Rolla Municipal Utilities

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, 2012

NOTE D – ACCOUNTS RECEIVABLE

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

Primary Government

	Accounts Receivable	Allowance	Net Accounts Receivable
TAXES RECEIVABLE			
General Fund	\$ 1,086,279	\$ 5,050	\$ 1,081,229
Street Fund	701,378	-	701,378
Parks and Recreation Fund	314,973	-	314,973
	<u>\$ 2,102,630</u>	<u>\$ 5,050</u>	<u>\$ 2,097,580</u>
UTILITIES RECEIVABLE			
Sewer Fund	\$ 382,857	\$ 6,200	\$ 376,657
Environmental Services Fund	201,659	-	201,659
	<u>\$ 584,516</u>	<u>\$ 6,200</u>	<u>\$ 578,316</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 139,363</u>	<u>\$ 79,566</u>	<u>\$ 59,797</u>

Rolla Municipal Utilities

	Accounts Receivable	Allowance	Net Accounts Receivable
Accounts Receivable			
Utilities receivable	\$ 1,086,709	\$ 60,000	\$ 1,026,709
Refundable deposits	8,220	-	8,220
	<u>\$ 1,094,929</u>	<u>\$ 60,000</u>	<u>\$ 1,034,929</u>
Other Miscellaneous Receivables	<u>\$ 357,203</u>	<u>\$ -</u>	<u>\$ 357,203</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE E – RESTRICTED ASSETS

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

	Restricted Cash and Investments	Restricted Net Assets
GENERAL FUND		
Court bonds	\$ 4,578	\$ -
TIF deposits	21,229	5
Refundable permits	20,000	-
Police evidence	68,414	-
Seizures and forfeitures	67,871	67,871
Animal control shelter	442,142	442,142
Property fire	53,874	5
	<u>678,108</u>	<u>510,023</u>
AIRPORT FUND		
Lease proceeds	600,000	-
	<u>\$ 1,278,108</u>	<u>\$ 510,023</u>
SEWER FUND		
1996E Revenue Bonds		
Reserve account	\$ 154,000	\$ -
Rebate account	3,526	-
Debt service reserve	3,218	3,218
Principal and interest	34,238	34,238
2000A Revenue Bonds		
Reserve account	1,861,798	-
Rebate account	61,447	-
Debt service reserve	1,922	1,922
Principal and interest	122,688	122,688
2006B Revenue Bonds		
Rebate account	18,970	-
Principal and interest	39,765	39,765
Depreciation and replacement	506,354	506,354
	<u>\$ 2,807,926</u>	<u>\$ 708,185</u>

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt of the City of Rolla consists of six capital lease purchase agreements, Series 2012 Certificates of Participation, two general obligation bonds payable, post-employment benefit payable, post employment pension payable, and compensated absences payable.

Capital Leases

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 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 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 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 February 15, 2011, the City entered into a lease purchase agreement to finance the purchase of a new fire truck. The agreement requires annual lease payments of \$76,794, which includes interest at 2.99%.

On January 19, 2012, the City entered into a lease purchase agreement to finance the purchase of 12 police vehicles. The agreement requires annual lease payments of \$73,143, which includes interest at 1.49%.

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*.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

Series 2012 Certificates of Participation

On June 29, 2012, the City issued \$2,755,000 of Series 2012 Certificates of Participation. The Certificates were issued to refinance the 2010 DNR Energy Efficiency Project and are split between Governmental and Business-type activities. The Certificates of Participation bear interest from 2.00% to 3.40% with principal payments due January 1 and interest payments due January 1 and July 1 each year. The Certificates of Participation outstanding at September 30, 2012, are represented in total in the Business-type activities, but the Governmental activities portion of the obligation at September 30, 2012, is \$1,484,037.

The total annual minimum lease payments, excluding the Certificates of Participation, required at September 30, 2012, are as follows:

Year Ended September 30,	City Hall Improvements	Fire Truck	Police Vehicles	Fire Truck	Forest Land	Dumprtruck	Total
2013	\$ 187,621	\$ 76,794	\$ 73,143	\$ 65,120	\$ 25,550	\$ 28,261	\$ 456,489
2014	187,621	76,794	73,143	65,120	25,550	28,261	456,489
2015	187,621	76,794	73,143	65,120	25,550	-	428,228
2016	187,621	76,794	-	65,120	25,550	-	355,085
2017	187,621	76,794	-	65,120	25,550	-	355,085
2018	187,621	76,794	-	65,120	25,550	-	355,085
2019	187,621	76,794	-	-	25,550	-	289,965
2020	187,621	76,794	-	-	25,550	-	289,965
2021	187,621	-	-	-	25,550	-	213,171
2022	187,621	-	-	-	25,550	-	213,171
2023	187,621	-	-	-	25,550	-	213,171
2024	187,621	-	-	-	25,550	-	213,171
2025	93,811	-	-	-	25,550	-	119,361
2026	-	-	-	-	25,550	-	25,550
2027	-	-	-	-	25,550	-	25,550
TOTAL MINIMUM LEASE PAYMENTS	2,345,263	614,352	219,429	390,720	383,250	56,522	4,009,536
LESS AMOUNT REPRESENTING INTEREST	(545,059)	(75,054)	(6,379)	(47,005)	(99,175)	(2,781)	(775,453)
PRINCIPAL BALANCE, SEPTEMBER 30, 2012	<u>\$ 1,800,204</u>	<u>\$ 539,298</u>	<u>\$ 213,050</u>	<u>\$ 343,715</u>	<u>\$ 284,075</u>	<u>\$ 53,741</u>	<u>\$ 3,234,083</u>

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

General Obligation Bonds

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.

\$ 465,000

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
2013	\$ 465,000	\$ 143,581	\$ 608,581

On September 5, 2012, the City issued \$3,445,000 in General Obligation Refunding Bonds due in varying annual installments through March 1, 2019, with interest at 2.00%, due on March 1 and September 1 of each year.

\$ 3,445,000

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
2013	\$ 25,000	\$ 67,884	\$ 92,884
2014	520,000	63,200	583,200
2015	540,000	52,600	592,600
2016	560,000	41,600	601,600
2017	580,000	30,200	610,200
2018	600,000	18,400	618,400
2019	620,000	6,200	626,200
	<u>\$ 3,445,000</u>	<u>\$ 280,084</u>	<u>\$ 3,725,084</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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, 2011	Additions	Retirements	Balance September 30, 2012
Capital Lease Obligations	\$ 4,174,809	\$ 286,193	\$ 1,226,919	\$ 3,234,083
Loan Obligations	3,203	-	3,203	-
General Obligation Bonds	5,720,000	3,445,000	5,255,000	3,910,000
Premium on bonds	38,770	154,334	39,627	153,477
Less: Deferred loss on bond refunding	-	(69,728)	(830)	(68,898)
	<u>5,758,770</u>	<u>3,529,606</u>	<u>5,293,797</u>	<u>3,994,579</u>
Certificates of Participation				
2012 Series	-	1,484,037	-	1,484,037
Post-employment Benefit Liability	572,200	288,900	190,900	670,200
Post-employment Pension Liability	122,410	86,695	-	209,105
Compensated Absences	1,004,041	-	60,872	943,169
TOTAL	<u>\$ 11,635,433</u>	<u>\$ 5,675,431</u>	<u>\$ 6,775,691</u>	<u>\$ 10,535,173</u>

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

Primary Government

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

Series 2012 Certificates of Participation

On June 29, 2012, the City issued \$2,755,000 of Series 2012 Certificates of Participation. The Certificates were issued to refinance the 2010 DNR Energy Efficiency Project and are split between Governmental and Business-type activities. The Certificates of Participation bear interest from 2.00% to 3.40% with principal payments due January 1 and interest payments due January 1 and July 1 each year. The Certificates of Participation outstanding at September 30, 2012, are represented in total below, but the Business-type activities portion of the obligation at September 30, 2012, is \$1,270,963.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

The annual debt service requirements on the Series 2012 Certificates of Participation, split between the Sewer Fund and the Governmental activities of the City, at September 30, 2012, are as follows:

Year Ended September, 30	Principal	Interest	Total
2013	\$ 230,000	\$ 69,334	\$ 299,334
2014	155,000	65,087	220,087
2015	155,000	61,988	216,988
2016	160,000	58,837	218,837
2017	165,000	55,588	220,588
2018	165,000	52,287	217,287
2019	170,000	48,725	218,725
2020	175,000	44,713	219,713
2021	180,000	40,272	220,272
2022	185,000	35,343	220,343
2023	190,000	29,902	219,902
2024	195,000	24,030	219,030
2025	205,000	17,676	222,676
2026	210,000	10,828	220,828
2027	215,000	3,655	218,655
	<u>\$ 2,755,000</u>	<u>\$ 618,265</u>	<u>\$ 3,373,265</u>

1996E Wastewater System Revenue Bonds

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

The annual debt service requirements to amortize the principal on the 1996E revenue bonds outstanding at September 30, 2012, are as follows:

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2013	\$ 40,000	\$ 10,553	\$ 1,571	\$ 52,124
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>\$ 220,000</u>	<u>\$ 30,284</u>	<u>\$ 4,891</u>	<u>\$ 255,175</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.

The annual debt service requirements to amortize the principal on the 2000A revenue bonds outstanding at September 30, 2012, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2013	\$ 275,000	\$ 148,837	\$ 18,957	\$ 442,794
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	63,868	8,068	426,936
2019	375,000	43,988	5,533	424,521
2020	400,000	22,800	2,856	425,656
	<u>\$ 2,655,000</u>	<u>\$ 714,705</u>	<u>\$ 90,642</u>	<u>\$ 3,460,347</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

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.

The annual debt service requirements to amortize the principal on the 2006B revenue bonds outstanding at September 30, 2012, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
2013	\$ 120,000	\$ 110,487	\$ 12,721	\$ 243,208
2014	125,000	105,687	12,103	242,790
2015	130,000	100,687	11,459	242,146
2016	135,000	95,488	10,789	241,277
2017	140,000	90,088	10,094	240,182
2018	150,000	83,087	9,373	242,460
2019	155,000	77,087	8,601	240,688
2020	160,000	70,888	7,802	238,690
2021	165,000	64,488	6,978	236,466
2022	175,000	56,237	6,129	237,366
2023	185,000	47,487	5,227	237,714
2024	195,000	38,238	4,274	237,512
2025	200,000	28,488	3,270	231,758
2026	215,000	18,488	2,240	235,728
2027	220,000	9,350	1,133	230,483
	<u>\$ 2,470,000</u>	<u>\$ 996,275</u>	<u>\$ 112,193</u>	<u>\$ 3,578,468</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

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, 2012:

	Balance September 30, 2011	Additions	Retirements	Balance September 30, 2012
Capital Lease Obligations	\$ 1,257,864	\$ -	\$ 1,257,864	\$ -
Revenue Bonds	5,759,000	-	414,000	5,345,000
Premium on bonds	71,062	-	4,737	66,325
	5,830,062	-	418,737	5,411,325
Certificates of Participation				
2012 Series	-	1,270,963	-	1,270,963
Compensated Absences	142,496	2,996	-	145,492
TOTAL	<u>\$ 7,230,422</u>	<u>\$ 1,273,959</u>	<u>\$ 1,676,601</u>	<u>\$ 6,827,780</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 \$120,000.

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 \$610,000.

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, 2012

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

The total annual minimum lease payments required at September 30, 2012, are as follows:

Year Ended September, 30	Water Towers	Electric Substation	Total
2013	\$ 189,197	\$ 1,094,748	\$ 1,283,945
2014	183,944	1,096,785	1,280,729
2015	188,355	1,097,896	1,286,251
2016	187,569	1,099,214	1,286,783
2017	186,277	1,100,424	1,286,701
2018	185,039	1,102,850	1,287,889
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	186,728	1,110,096	1,296,824
2023	193,625	1,113,137	1,306,762
2024	-	1,113,998	1,113,998
2025	-	1,116,565	1,116,565
2026	-	1,120,898	1,120,898
2027	-	1,122,842	1,122,842
2028	-	1,124,412	1,124,412
2029	-	283,085	283,085
TOTAL MINIMUM LEASE PAYMENTS	2,054,966	18,016,728	20,071,694
LESS AMOUNT REPRESENTING INTEREST	(424,966)	(4,578,728)	(5,003,694)
PRINCIPAL BALANCE SEPTEMBER 30, 2012	<u>\$ 1,630,000</u>	<u>\$ 13,438,000</u>	<u>\$ 15,068,000</u>

The following table is a summary of the changes in the Utility's long-term debt for the year ended September 30, 2012:

Leases Payable, October 1	\$ 15,765,000
Deletions	(697,000)
Leases Payable, September 30	<u>\$ 15,068,000</u>

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

Primary Government

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 12,514,709	\$ 270,204	\$ -	\$ 12,784,913
Construction in progress	665,631	53,957	665,631	53,957
Total Non-depreciable Capital Assets	13,180,340	<u>\$ 324,161</u>	<u>\$ 665,631</u>	12,838,870
Depreciable Capital Assets:				
Building and improvements	24,072,248	\$ 828,942	\$ -	24,901,190
Machinery and equipment	9,650,448	559,129	752,358	9,457,219
Infrastructure	74,679,540	784,556	-	75,464,096
Total Depreciable Capital Assets	108,402,236	<u>\$ 2,172,627</u>	<u>\$ 752,358</u>	109,822,505
Less Accumulated Depreciation				
Buildings and improvements	9,558,360	\$ 930,527	\$ -	10,488,887
Machinery and equipment	6,647,712	683,997	734,117	6,597,592
Infrastructure	26,039,028	1,755,582	-	27,794,610
Total Accumulated Depreciation	42,245,100	<u>\$ 3,370,106</u>	<u>\$ 734,117</u>	44,881,089
Total Depreciable Capital Assets, Net	<u>66,157,136</u>			<u>64,941,416</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 79,337,476</u>			<u>\$ 77,780,286</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE H – CAPITAL ASSETS (continued)

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

Administrative	\$ 153,656
Administrator	2,395
Finance	4,724
911 telecommunications	1,389
Animal shelter	4,229
Police	148,387
Fire	310,140
Building maintenance	1,422
Engineering	10,874
Community development	3,242
Public works	1,922,388
Parks & Recreation	554,161
Airport	251,115
Cemetery	1,984
	<u>\$ 3,370,106</u>

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
Business-Type Activities				
Sewer				
Non-depreciable Capital Assets:				
Land	\$ 309,236	\$ 28,101	\$ -	\$ 337,337
CIP	1,061,947	187,400	1,249,347	-
Total Non-depreciable Capital Assets	1,371,183	<u>\$ 215,501</u>	<u>\$ 1,249,347</u>	337,337
Depreciable Capital Assets:				
Buildings	591,622	\$ 1,249,347	\$ -	1,840,969
Equipment	1,492,958	69,909	-	1,562,867
Sewer collection system	29,167,833	127,814	-	29,295,647
Total Depreciable Capital Assets	31,252,413	<u>\$ 1,447,070</u>	<u>\$ -</u>	32,699,483
Less Accumulated Depreciation				
Buildings	582,064	\$ 17,526	\$ -	599,590
Equipment	1,370,293	91,042	-	1,461,335
Sewer collection system	8,307,236	478,262	-	8,785,498
Total Accumulated Depreciation	10,259,593	<u>\$ 586,830</u>	<u>\$ -</u>	10,846,423
Depreciable Capital Assets, Net	20,992,820			21,853,060

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
Environmental Services				
Non-depreciable Capital Assets:				
CIP	-	\$ 1,195,062	\$ -	1,195,062
Land	670,663	-	-	670,663
Total Non-depreciable Capital Assets	670,663	<u>\$ 1,195,062</u>	<u>\$ -</u>	1,865,725
Depreciable Capital Assets:				
Buildings	826,220	\$ -	\$ -	826,220
Equipment	3,107,669	261,880	381,101	2,988,448
Total Depreciable Capital Assets	3,933,889	<u>\$ 261,880</u>	<u>\$ 381,101</u>	3,814,668
Less Accumulated Depreciation				
Buildings	602,085	\$ 22,722	\$ -	624,807
Equipment	2,143,553	197,936	361,867	1,979,622
Total Accumulated Depreciation	2,745,638	<u>\$ 220,658</u>	<u>\$ 361,867</u>	2,604,429
Depreciable Capital Assets, Net	1,188,251			1,210,239
Total Capital Assets - Business-Type Activities, Net	<u>\$ 24,222,917</u>			<u>\$ 25,266,361</u>

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE H – CAPITAL ASSETS (continued)

Rolla Municipal Utilities

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
Business-Type Activities				
Non-Depreciable Capital Assets:				
Construction in progress	\$ -	\$ 107,205	\$ -	\$ 107,205
Land and easements	1,017,559	1,714,053	-	2,731,612
Total Non-Depreciable Capital Assets	1,017,559	<u>\$ 1,821,258</u>	<u>\$ -</u>	2,838,817
Depreciable Capital Assets:				
Buildings and improvements	4,629,690	\$ 135,989	\$ -	4,765,679
Office furniture, fixtures and equipment	972,394	4,039	-	976,433
Transportation equipment	1,427,539	60,329	86,904	1,400,964
Distribution system	53,527,055	3,081,640	238,929	56,369,766
Production system	7,864,661	541,194	-	8,405,855
Total Depreciable Capital Assets	68,421,339	<u>\$ 3,823,191</u>	<u>\$ 325,833</u>	71,918,697
Less Accumulated Depreciation for:				
Buildings and improvements	2,899,975	\$ 134,775	\$ -	3,034,750
Office furniture, fixtures & equipment	836,352	42,401	-	878,753
Transportation equipment	1,016,054	85,749	86,904	1,014,899
Distribution system	21,343,977	2,061,980	73,986	23,331,971
Production system	4,231,676	392,878	-	4,624,554
Total Accumulated Depreciation	30,328,034	<u>\$ 2,717,783</u>	<u>\$ 160,890</u>	32,884,927
Total Depreciable Capital Assets, net	<u>38,093,305</u>			<u>39,033,770</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 39,110,864</u>			<u>\$ 41,872,587</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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.

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 13.9% (General), 8.7% (Police) and 16.9% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost (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	\$ 1,052,930
Interest on net pension obligation	8,875
Adjustment to annual required contribution	<u>(8,520)</u>
Annual pension cost	1,053,285
Actual contributions	<u>966,590</u>
Increase (decrease) in NPO	86,695
NPO beginning of year	<u>122,410</u>
NPO end of year	<u><u>\$ 209,105</u></u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE I – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2009, and February 28, 2010, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% 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 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 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, 2009, was 30 years for the General division, 30 years for the Police division, and 30 years for the Fire division. The amortization period as of February 28, 2010, was 30 years for the General division, 30 years for the Police division, and 30 years for the Fire division.

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 834,397	100.0%	\$ -
2011	1,064,438	88.5%	122,410
2012	1,053,285	91.8%	209,105

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
2/29/2012	\$ 16,527,859	\$ 18,970,096	\$ 2,442,237	87%	\$ 7,284,431	34%

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE I – EMPLOYEE PENSION PLAN (continued)

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 14.1% (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.

Annual Pension Cost

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

Annual required contribution	\$ 459,852
Interest on net pension obligation	(89,218)
Adjustment to annual required contribution	<u>67,891</u>
Annual pension cost	438,525
Actual contributions	<u>745,809</u>
Increase (decrease) in NPO	(307,284)
NPO beginning of year	<u>(1,230,587)</u>
NPO end of year	<u><u>\$ (1,537,871)</u></u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE I – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2009, and February 28, 2010, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% 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 105% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2009, was 15 years for the General division. The amortization period as of February 28, 2010, was 30 years for the General division.

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 262,584	252.3%	\$ (400,000)
2011	362,726	329.0%	(1,230,587)
2012	438,525	170.1%	(1,537,871)

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
2/29/2012	\$ 5,472,110	\$ 7,773,580	\$ 2,301,470	70%	\$ 2,393,464	96%

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE I – EMPLOYEE PENSION PLAN (continued)

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:

	<u>2011</u>
Assessed Valuation	
Real estate	\$ 201,836,281
Personal property	<u>40,929,960</u>
TOTAL	<u>\$ 242,766,241</u>
	<u>2011</u>
Tax Rate Per \$100 of Assessed Valuation	
General levy	\$.4451
Library levy	.1857
Park levy	<u>.1096</u>
TOTAL	<u>\$.7404</u>

The legal debt margin at September 30, 2012, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional debt limit	\$ 24,276,624	\$ 24,276,624	\$ 48,553,248
General Obligation Bonds payable	<u>(3,910,000)</u>	<u>-</u>	<u>(3,910,000)</u>
LEGAL DEBT MARGIN	<u>\$ 20,366,624</u>	<u>\$ 24,276,624</u>	<u>\$ 44,643,248</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

(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, taxes, and court fines. All of the deferred revenue at September 30, 2012, is accounted for as follows:

GENERAL FUND	
Special assessments	\$ 81,730
Court fines	11,444
	<u>93,174</u>
	<u>\$ 93,174</u>
STREET FUND	
Taxes	\$ 6,596
	<u>6,596</u>

NOTE L – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City 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.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE M – DEFERRED BOND ISSUE COSTS

During 2012, the City issued the Series 2012 General Obligation Refunding Bonds and Series 2012 Certificates of Participation. The issue costs will be amortized as an adjustment to interest expense using straight-line amortization over 7 years and 15 years, respectively.

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, 2011	Current Amortization	Net Bond Issue Costs
Business-Type Activities	<u>\$ 164,794</u>	<u>\$ 71,382</u>	<u>\$ 8,239</u>	<u>\$ 85,173</u>
Governmental Activities	<u>\$ 319,426</u>	<u>\$ 125,907</u>	<u>\$ 31,916</u>	<u>\$ 161,603</u>

NOTE N – DEFERRED LOSS ON BOND REFUNDING

On September 1, 2012, refunding of the 2004 General Obligation Crossover Refunding Bonds resulted in the recognition of a deferred loss on bond refunding of \$69,728. The deferred loss is being amortized as an adjustment to interest expense using straight-line amortization over a period of 7 years.

A summary of the deferred loss on bond refunding is listed below:

	Balance September 30, 2011	Additions	Amortization	Balance September 30, 2012
Deferred loss on bond refunding	<u>\$ -</u>	<u>\$ 69,728</u>	<u>\$ 830</u>	<u>\$ 68,898</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE O – SELF INSURANCE

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

The cash transactions of the health care plan are accounted for in the Self-Insurance Health Fund, an internal service fund. At September 30, 2012, 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 \$81,359. Changes in estimated benefit obligation during the past year are as follows:

Estimated Benefit Obligation, beginning of year	\$ 145,680
Claims incurred	1,948,731
Claims paid	<u>(2,013,052)</u>
Estimated Benefit Obligation, end of year	<u><u>\$ 81,359</u></u>

NOTE P – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2012, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 733,133	\$ 728,601
Street Fund	-	317,786
Parks and Recreation Fund	274,754	-
Airport Fund	160,752	3,587
Cemetery Fund	-	6,561
Sewer Fund	-	292,209
Environmental Services Fund	-	344,499
Internal Service Fund	524,604	-
	<u><u>\$ 1,693,243</u></u>	<u><u>\$ 1,693,243</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 – POST-EMPLOYMENT HEALTH CARE PLAN

Primary Government

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, 2012:

ARC	\$ 286,600
Interest on net OPEB obligation	13,700
Adjustment to ARC	<u>(11,400)</u>
Annual OPEB cost (expense)	<u><u>\$ 288,900</u></u>

The change in net OPEB obligation was as follows:

Balance September 30, 2011	Annual OPEB Cost	Employer Contributions	Balance September 30, 2012
Net OPEB Obligation			Net OPEB Obligation
<u>\$ 572,200</u>	<u>\$ 288,900</u>	<u>\$ 190,900</u>	<u>\$ 670,200</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE Q – POST-EMPLOYMENT HEALTH CARE PLAN (continued)

Funding Status and Funding Progress – As a pay-as-you-go plan, the plan was 0% funded at September 30, 2012.

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)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2011	\$ -	\$ 2,705,800	\$ 2,705,800	0%	TBD	TBD

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 2011 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 7.20% for 2012, with annual rate reductions to an ultimate rate of 4.7% in 2081. 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.

Rolla Municipal Utilities

Plan Description – The Utility’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 requirements as set by the Utility and remains eligible until attainment of Medicare Eligibility Age. Eligible participants receive benefits in the form of an implicit rate subsidy where participants receive health insurance coverage by paying a blended retiree/active rate.

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

Annual OPEB Cost and Net OPEB Obligation – The Utility’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the Utility, 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 Utility’s annual OPEB cost for the year ended September 30, 2012:

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE Q – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

ARC	\$ 39,000
Interest on net OPEB obligation	500
Adjustment to ARC	(400)
Annual OPEB cost (expense)	<u>\$ 39,100</u>

The last reported change in net OPEB obligation was as follows:

Balance September 30, 2010	Annual OPEB Cost	Employer Contributions	Balance September 30, 2011 Net OPEB Obligation
<u>\$ 13,000</u>	<u>\$ 39,100</u>	<u>\$ 29,800</u>	<u>\$ 22,300</u>

Funding Status and Funding Progress – As a pay-as-you-go plan, the plan was 0% funded at September 30, 2012.

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)	UAaL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2011	\$ -	\$ 553,900	\$ 553,900	0%	\$ 2,376,800	23%

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 2011 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 7.30% for 2011, 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.

NOTE R – RELATED PARTY TRANSACTIONS

Primary Government

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 \$161,365 in FY 2012 for billing services and \$775,711 for water and electric services.

Rolla Municipal Utilities

During the year ended September 30, 2012, Rolla Municipal Utilities paid CSE Enterprises LLC \$541,020 for installation of a Diesel Oxidation System, which was a public bid project. The Board President for Rolla Municipal Utilities is the owner of CSE Enterprises LLC.

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 \$7,086,264. Principal and interest paid for the current year and total customer net revenues were \$693,666 and \$1,593,644, respectively.

NOTE U – TAX INCREMENT FINANCING DISTRICTS

The City is committed for the redevelopment of the I-44/US 63 Redevelopment Project Area 1 (RPA1) to reimburse Kohl's Department Stores, Inc (the Developer) for the Verified Reimbursable Redevelopment Project Costs through Reimbursement Payments made from the Special Allocation Fund after the City accepts the Certificate of Substantial Completion. There is no debt on the City's part, however, the aggregate amount of Reimbursement Payments paid during the term of the agreement, to the extent that taxes are collected within this District, shall not exceed the sum of \$3,300,000 plus interest costs. The City shall not be obligated for any amounts that exceed the balance in the Special Allocation Fund, which includes a TIF-EATS and a TIF-PILOTS account.

The TIF-EATS account will contain 50% of all Economic Activity Taxes from RPA1. The TIF-PILOTS account will contain all Payments in Lieu of Taxes from RPA1. At September 30, 2012, the balances in the TIF-EATS and TIF-PILOTS accounts are \$5 and \$21,224, respectively.

NOTE V – COMMITMENTS

Primary Government

At September 30, 2012, the City was committed to the following:

- Jacobs Engineering Group, Inc. in the amount of \$6,991 for the building condition assessment on the Recreation Centre.
- Bales Construction Company, Inc. in the amount of \$1,008,904 for the Rolla Public Services Park, Phase II.
- Integrity Engineering, Inc. in the amount of \$84,000 for Airport infrastructure design services.
- JVIation, Inc. in the amount of \$19,728 for design of the Airport Entrance Road, Parking Lot, and Airfield Rehabilitation project.

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 \$158,136 from any funds due the members from the Missouri Department of Revenue and the State Treasurer to compensate the State for corrective procedures.

NOTE V – COMMITMENTS (continued)

Rolla Municipal Utilities

Pooled Energy

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

MoPEP operations are governed by a committee (“Pool Committee”) consisting of one representative from each MoPEP member and is currently comprised of 35 members. The Pool Committee is charged with setting rates for all services provided by MJMEUC to MoPEP members. These rates include recovery of all of MJMEUC’s costs (the “Direct Costs”) incurred in connection with acquiring, providing, arranging or financing the provision of full requirements service to MoPEP members. Such rates are based upon an annual budget and include, but are not limited to, all payments MJMEUC is required to make, or reserves or coverage MJMEUC is required to maintain, pursuant to any bond indenture, financing lease or loan agreement of other financial contract in order to procure, deliver, or finance resources intended to provide full requirements service, without regard to whether any particular resource is available to or used by any particular MoPEP member. Direct Costs also include amounts required to fund MoPEP capital and/or operating reserves as may be established from time to time by the Pool Committee.

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

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

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE V – COMMITMENTS (continued)

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

The net power cost charges by MoPEP to RMU for the year ended September 30, 2012, was \$17,748,129.

NOTE W – SUBSEQUENT EVENTS

On October 1, 2012, the City issued the Series 2012B Certificates of Participation in the amount of \$4,080,000 for the Sewer Disinfection project.

NOTE X – CURRENT YEAR DEBT REFUNDING

On September 5, 2012, the City issued \$3,445,000 in Series 2012 General Obligation Refunding Bonds with interest rates at 2.00%. The City deposited bond proceeds totaling \$3,544,728 in an irrevocable escrow account at UMB Bank to earn interest and pay principal of \$3,475,000 and accrued interest on Series 2004B General Obligation Bonds on March 1, 2013.

As a result of the refunding, the City reduced its debt service requirements by \$362,350 which resulted in an economic gain (difference between the present value of the debt service payments on old and new debt) of \$343,660.

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE Y – DEBT DEFEASANCE

On September 5, 2012, the City issued \$3,445,000 in Series 2012 General Obligation Refunding Bonds. The proceeds of this bond issue were deposited into an irrevocable escrow account at UMB Bank in the amount of \$3,544,728 to earn interest and pay principal of \$3,475,000 and accrued interest on March 1, 2013. At September 30, 2012, the refunding escrow account for the Series 2004B General Obligation Bonds held a balance of \$3,544,728 and had an outstanding balance of \$3,940,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROLLA, MISSOURI
SCHEDULE OF FUNDING PROGRESS
Year Ended September 30, 2012

Missouri Local Government Employees Retirement System (LAGERS)

Primary Government

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded 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%
2/28/2011	15,817,254	18,835,759	3,018,505	84%	7,513,276	40%
2/29/2012	16,527,859	18,970,096	2,442,237	87%	7,284,431	34%

Rolla Municipal Utilities

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%
2/28/2011	4,863,025	7,615,872	2,752,847	64%	2,284,709	120%
2/29/2012	5,472,110	7,773,580	2,301,470	70%	2,393,464	96%

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 29, 2012, 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
 SCHEDULE OF FUNDING PROGRESS (continued)
 Year Ended September 30, 2012

Post-Employment Health Care Plan

Primary Government

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)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2011	\$ -	\$ 2,705,800	\$ 2,705,800	0%	TBD	TBD

Rolla Municipal Utilities

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
9/30/2011	\$ -	\$ 553,900	\$ 553,900	0%	\$ 2,376,800	23%

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 908,000	\$ 908,000	\$ 930,511	\$ 22,511
City sales tax	3,752,000	3,781,500	3,781,477	(23)
Special assessments	700	700	963	263
Utility franchise tax	765,000	765,000	684,038	(80,962)
Motor vehicle tax	102,000	119,325	119,328	3
Payment in lieu of taxes	1,636,000	1,636,000	1,555,974	(80,026)
Lodging tax	307,000	307,000	291,660	(15,340)
Cigarette tax	120,000	120,000	122,328	2,328
	<u>7,590,700</u>	<u>7,637,525</u>	<u>7,486,279</u>	<u>(151,246)</u>
Licenses and Permits				
Occupational licenses	56,000	56,000	48,021	(7,979)
Building permits	100,000	100,000	53,581	(46,419)
Other	36,800	36,800	37,738	938
	<u>192,800</u>	<u>192,800</u>	<u>139,340</u>	<u>(53,460)</u>
Intergovernmental Revenues				
Landfill	10,000	10,000	10,800	800
RREC	108,000	108,000	114,850	6,850
PCESB	991,625	991,625	944,789	(46,836)
Library	195,000	195,000	171,785	(23,215)
Grants	183,000	337,000	376,689	39,689
Other	185,500	185,500	331,642	146,142
	<u>1,673,125</u>	<u>1,827,125</u>	<u>1,950,555</u>	<u>123,430</u>
Charges for Services				
Fire dues and assessments	50,400	50,400	51,105	705
Fines and Forfeitures				
City court fines	185,000	185,000	202,969	17,969
Police training fees	6,700	6,700	5,478	(1,222)
	<u>191,700</u>	<u>191,700</u>	<u>208,447</u>	<u>16,747</u>
Miscellaneous				
Lease and rent income	17,000	17,000	11,070	(5,930)
Interest income	50,000	50,000	54,280	4,280
Animal shelter	20,600	20,600	455,112	434,512
Other	35,000	35,000	43,246	8,246
	<u>122,600</u>	<u>122,600</u>	<u>563,708</u>	<u>441,108</u>
TOTAL REVENUES	9,821,325	10,022,150	10,399,434	377,284

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	960,161	1,514,801	1,502,126	12,675
Administrator	369,094	369,094	382,941	(13,847)
Finance	465,370	465,370	472,630	(7,260)
Legal services	64,530	64,530	59,682	4,848
City court	94,410	94,410	82,854	11,556
911 telecommunications	983,625	983,625	939,515	44,110
Animal shelter	165,165	165,165	157,989	7,176
Police	3,297,479	3,577,629	3,636,148	(58,519)
Fire	2,491,320	2,516,720	2,572,018	(55,298)
Building maintenance	100,787	112,754	101,326	11,428
Engineering	712,548	712,548	677,034	35,514
Community development	417,700	424,015	383,059	40,956
Library	190,531	190,531	159,869	30,662
Economic development	208,950	208,950	220,097	(11,147)
TOTAL EXPENDITURES	<u>10,521,670</u>	<u>11,400,142</u>	<u>11,347,288</u>	<u>52,854</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(700,345)	(1,377,992)	(947,854)	430,138
OTHER FINANCING SOURCES (USES)				
Lease proceeds	300,000	827,400	865,466	38,066
Operating transfers in	954,836	954,836	733,133	(221,703)
Operating transfers (out)	(305,907)	(305,907)	(728,601)	(422,694)
TOTAL OTHER FINANCING SOURCES (USES)	<u>948,929</u>	<u>1,476,329</u>	<u>869,998</u>	<u>(606,331)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	248,584	98,337	(77,856)	(176,193)
FUND BALANCE, October 1	<u>2,018,235</u>	<u>2,048,553</u>	<u>2,048,553</u>	-
FUND BALANCE, September 30	<u>\$ 2,266,819</u>	<u>\$ 2,146,890</u>	<u>\$ 1,970,697</u>	<u>\$ (176,193)</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 4,289,320	\$ 4,395,220	\$ 4,395,423	\$ 203
Intergovernmental revenues	-	144,150	149,716	5,566
Charges for services	101,000	101,000	172,988	71,988
Interest income	4,500	158,800	160,469	1,669
Miscellaneous	8,000	8,000	20,247	12,247
TOTAL REVENUES	4,402,820	4,807,170	4,898,843	91,673
EXPENDITURES				
Current				
Street	2,333,601	2,333,601	2,385,327	(51,726)
Capital improvements	1,216,500	4,805,225	1,058,556	3,746,669
Debt service				
Principal and interest	637,000	637,000	4,210,200	(3,573,200)
TOTAL EXPENDITURES	4,187,101	7,775,826	7,654,083	121,743
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	215,719	(2,968,656)	(2,755,240)	213,416
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	3,445,000	3,445,000	-
Operating transfers in (out)	(354,764)	254,764	(317,786)	(572,550)
TOTAL OTHER FINANCING SOURCES (USES)	(354,764)	3,699,764	3,127,214	(572,550)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(139,045)	731,108	371,974	(359,134)
FUND BALANCE, October 1	639,719	445,219	445,219	-
FUND BALANCE, September 30	\$ 500,674	\$ 1,176,327	\$ 817,193	\$ (359,134)

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARKS AND RECREATION FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 2,102,000	\$ 2,136,000	\$ 2,140,723	\$ 4,723
Intergovernmental revenues	6,300	6,300	-	(6,300)
Charges for services	1,412,800	1,412,800	1,236,647	(176,153)
Interest income	78,500	78,500	81,612	3,112
Miscellaneous	1,200	1,200	20,000	18,800
TOTAL REVENUES	3,600,800	3,634,800	3,478,982	(155,818)
EXPENDITURES				
Current				
Guest services	206,380	206,380	214,744	(8,364)
Recreation	141,610	141,610	108,035	33,575
Aquatic	209,850	209,850	204,085	5,765
Fitness	142,600	142,600	166,688	(24,088)
Administration	522,750	566,250	549,057	17,193
Maintenance	318,800	318,800	334,266	(15,466)
Parks department	681,995	681,995	613,684	68,311
SplashZone	132,733	132,733	113,155	19,578
Outdoor recreation	-	45,000	139,259	(94,259)
Debt Service				
Principal and interest	1,367,800	1,662,800	1,657,746	5,054
TOTAL EXPENDITURES	3,724,518	4,108,018	4,100,719	7,299
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	(123,718)	(473,218)	(621,737)	(148,519)
OTHER FINANCING SOURCES				
Lease proceeds	-	295,000	295,072	72
Operating transfers in	86,470	86,470	274,754	188,284
TOTAL OTHER FINANCING SOURCES	86,470	381,470	569,826	188,356
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES				
	(37,248)	(91,748)	(51,911)	39,837
FUND BALANCE, October 1	3,484,701	3,232,959	3,232,959	-
FUND BALANCE, September 30	<u>\$ 3,447,453</u>	<u>\$ 3,141,211</u>	<u>\$ 3,181,048</u>	<u>\$ 39,837</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – AIRPORT FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Intergovernmental revenue	\$ 200,000	\$ 200,000	\$ 15,749	\$ (184,251)
Charges for services	277,425	277,425	327,589	50,164
Interest income	50	50	4,027	3,977
Miscellaneous	900	900	6,212	5,312
TOTAL REVENUES	478,375	478,375	353,577	(124,798)
EXPENDITURES				
Current				
Airport	576,345	576,345	493,985	82,360
TOTAL EXPENDITURES	576,345	576,345	493,985	82,360
(DEFICIT) OF REVENUES OVER EXPENDITURES	(97,970)	(97,970)	(140,408)	(42,438)
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	609,700	609,692	(8)
Operating transfers in	75,907	75,907	160,752	84,845
Operating transfers (out)	-	-	(3,587)	(3,587)
TOTAL OTHER FINANCING SOURCES (USES)	75,907	685,607	766,857	81,250
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(22,063)	587,637	626,449	38,812
FUND BALANCE, October 1	30,452	62,425	62,425	-
FUND BALANCE, September 30	\$ 8,389	\$ 650,062	\$ 688,874	\$ 38,812

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CEMETERY FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services	\$ 9,800	\$ 9,800	\$ 4,450	\$ (5,350)
Interest income	4,200	4,200	6,935	2,735
TOTAL REVENUES	14,000	14,000	11,385	(2,615)
EXPENDITURES				
Current				
Cemetery	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	14,000	14,000	11,385	(2,615)
OTHER FINANCING (USES)				
Operating transfers (out)	(4,200)	(6,561)	(6,561)	-
EXCESS OF REVENUES OVER OTHER FINANCING (USES)	9,800	7,439	4,824	(2,615)
FUND BALANCE, October 1	266,580	272,646	272,646	-
FUND BALANCE, September 30	\$ 276,380	\$ 280,085	\$ 277,470	\$ (2,615)

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK LAND RESERVE FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Interest income	\$ 700	\$ 700	\$ 520	\$ (180)
Miscellaneous	500	500	-	(500)
TOTAL REVENUES	1,200	1,200	520	(680)
EXPENDITURES				
Current				
Park	25,000	25,000	20,541	4,459
TOTAL EXPENDITURES	25,000	25,000	20,541	4,459
(DEFICIT) OF REVENUES OVER EXPENDITURES	(23,800)	(23,800)	(20,021)	3,779
FUND BALANCE, October 1	124,193	124,431	124,431	-
FUND BALANCE, September 30	<u>\$ 100,393</u>	<u>\$ 100,631</u>	<u>\$ 104,410</u>	<u>\$ 3,779</u>

CITY OF ROLLA, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2012

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



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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, 2012, and have issued our report thereon dated February 18, 2013. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Rolla, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 February 18, 2013.

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

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
February 18, 2013



DAVIS, LYNN &
MOOTS, P.C.
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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

Compliance

We have audited the compliance of the City of Rolla, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Rolla, Missouri's major federal program for the year ended September 30, 2012. The City of Rolla, Missouri's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the City of Rolla, Missouri's management. Our responsibility is to express an opinion on the City of Rolla, Missouri's compliance based on our audit.

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

In our opinion, the City of Rolla, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2012.

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

Internal Control over Compliance

Management of the City of Rolla, Missouri, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Rolla, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
February 18, 2013

CITY OF ROLLA, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2012

Federal Grantor Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number/ Other Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
State Emergency Management Agency			
Staffing for Adequate Fire and Emergency Response Grant	97.083	EMW-2007-FF-00133	\$ 52,128
Meramec Regional Planning Commission			
Homeland Security Grant Program	97.067	N/A	<u>28,165</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			80,293
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Missouri Department of Economic Development			
Community Development Block Grant	14.228	2010-DT-02	<u>134,515</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			134,515
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Missouri Department of Transportation			
Airport Improvement Program	20.106	12-056A-1	17,059
Transportation Enhancement Funds	20.205	STP-9900 (931)	17,816
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	12-K8-03-079	13,969
		12-PT-02-098	5,954
		12-OP-05-002	292
		N/A	2,678
State and Community Highway Safety	20.600	12-OP-05-005	731
Alcohol Open Container Requirements	20.607	12-154-AL-083	<u>779</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			59,278
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Missouri Department of Public Safety			
Bulletproof Vest Partnership Program	16.607	N/A	3,650
Local Law Enforcement Block Grant	16.738	2011-LLEBG-060	<u>8,999</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			12,649
<u>U.S. DEPARTMENT OF TREASURY</u>			
Direct			
Equitable Sharing of Seized Property	21.000	N/A	<u>66,493</u>
TOTAL U.S. DEPARTMENT OF TREASURY			66,493
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Missouri Office of Homeland Security			
Public Safety Interoperable Communications Grant Program	11.555	N/A	<u>335,902</u>
TOTAL U.S. DEPARTMENT OF COMMERCE			335,902

CITY OF ROLLA, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
 Year Ended September 30, 2012

Federal Grantor Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number/ Other Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct			
Rural Development Grant	10.769	10-769-RBEG	<u>17,000</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			17,000
<u>U.S. DEPARTMENT OF ENERGY</u>			
Missouri Department of Natural Resources			
ARRA Energy Efficiency and Conservation Block Grant Program	81.128	G10-EECGB-04-796862030	<u>337,068</u>
TOTAL U.S. DEPARTMENT OF ENERGY			337,068
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Missouri Department of Natural Resources			
Nonpoint Source Implementation Grant	66.460	G11-NPS-22	<u>1,900</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>1,900</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,045,098</u>

N/A - Not Applicable

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF ROLLA, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

A. SUMMARY OF AUDIT RESULTS

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

ARRA Energy Efficiency and Conservation Block Grant Program	81.128
Public Safety Interoperable Communications Grant Program	11.555
9. The threshold for determining Type A programs was \$300,000.
10. The City of Rolla, Missouri was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None noted

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs for the major federal award program.

CITY OF ROLLA, MISSOURI
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2012

There were no prior year audit findings.