

CITY OF ROLLA, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2005

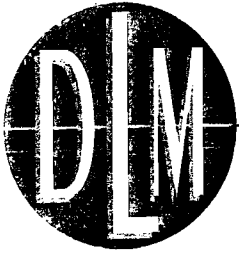
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the City of Rolla, Missouri, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rolla, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the City of Rolla, Missouri, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
December 11, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2005. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The net assets of the City's governmental activities increased by \$1.3 million or 3.6% for the year as a result of current year activities. The net assets of the City's business activities increased by \$566,269 or 6.6% for the year.
- The assets of the City exceeded its liabilities as of September 30, 2005 by \$85.3 million (net assets). Of this amount \$7.3 million was unrestricted and may be used to meet future obligations of the City.
- Total liabilities of the City increased by \$2.3 million due primarily to the lease purchase agreement entered into by the City for City Hall improvements.
- The 1996 sales tax proposal for street improvements called for 72 miles of street improvements. At the end of fiscal year 2005, 82 miles of street improvements had been completed. The same proposal called for 15 miles of sidewalk improvement. At the end of 2005, 23 miles of sidewalk improvements had been completed.
- A \$7 million "no tax increase" bond was passed by voters in April 2004 and related projects were underway in fiscal year 2005. In fiscal year 2005, Lion's Club Drive was completed, the flood control project has reached a halfway point and the I-44 and Highway 63 Interchange project has begun. The funds for this bond continue to come from existing sales tax resources currently being collected by the City.
- Residential construction ended fiscal year 2005 with a 3.2% growth above fiscal year 2004 while commercial construction declined by 1.6%. Overall, 132 new housing units were added this fiscal year. Total estimated construction costs for fiscal year 2005 were \$31,993,162 compared to \$32,682,491 estimated in fiscal year 2004.
- The City entered into a \$2,500,000 lease purchase agreement (20 years) for the renovations of City Hall. The majority of the City Hall renovation project was completed in 2005 with an anticipated move date in fiscal year 2006. Annual lease payment of \$193,000 will be paid from the general revenues of the City.
- The Recreation Centre completed its third full year of operations in 2005, achieving an 88% recapture rate. SplashZone ended the year with 112% recapture. Overall, revenues for the Centre increased by 3.7% while expenses also increased by 10%. Likewise, the revenues for SplashZone increased 43% while expenses increased 17%.

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 (continued)

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- 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, 2005:

	Governmental Activities	Business-Type Activities	Total September 30, 2005	Total September 30, 2004
Current and other assets	\$ 13,918,933	\$ 3,452,117	\$ 17,371,050	\$ 19,900,673
Capital assets	78,030,920	20,394,802	98,425,722	91,700,993
TOTAL ASSETS	91,949,853	23,846,919	115,796,772	111,601,666
Long-term liabilities outstanding	21,561,651	4,638,203	26,199,854	25,318,156
Other liabilities	3,897,862	392,134	4,289,996	2,891,825
TOTAL LIABILITIES	25,459,513	5,030,337	30,489,850	28,209,981
Net assets:				
Invested in capital assets				
net of related debt	57,032,252	15,660,220	72,692,472	71,421,183
Restricted	5,111,431	188,632	5,300,063	5,331,912
Unrestricted	4,346,657	2,967,730	7,314,387	6,638,590
TOTAL NET ASSETS	<u>\$ 66,490,340</u>	<u>\$ 18,816,582</u>	<u>\$ 85,306,922</u>	<u>\$ 83,391,685</u>

Total net assets of the City increased by \$1.9 million for the year due to current year activity. Total liabilities for the City have increased by \$2.3 million due to the issuance of the City Hall improvement lease of \$2.5 million. Capital assets for the governmental activities totaled \$78 million as of September 30, 2005. Of this amount, \$46.9 million represents infrastructure assets such as roads, sidewalks and storm drainage systems net of accumulated depreciation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

CHANGE IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Year Ended September 30, 2005</u>	<u>Total Year Ended September 30, 2004</u>
REVENUES				
Program Revenues				
Charges for services	\$ 2,563,104	\$ 4,401,369	\$ 6,964,473	\$ 6,729,201
Operating grants and contributions	13,275	-	13,275	180,843
Capital grants and contributions	600,239	-	600,239	553,716
General Revenues				
Property taxes	989,443	-	989,443	923,792
Sales taxes	8,867,564	-	8,867,564	8,640,523
Other taxes	1,140,910	-	1,140,910	1,176,722
Franchise fees	574,348	-	574,348	531,498
Interest	215,302	230,113	445,415	207,155
Other revenue	51,869	5,986	57,855	28,420
TOTAL REVENUES	15,016,054	4,637,468	19,653,522	18,971,870
EXPENSES				
General government and other	3,912,556	-	3,912,556	1,986,383
Police	1,954,356	-	1,954,356	1,812,212
Fire	2,037,977	-	2,037,977	1,949,006
Public works and maintenance	3,109,156	-	3,109,156	3,169,687
Recreation Center	2,362,447	-	2,362,447	2,256,496
Park	810,704	-	810,704	706,527
Airport	566,796	-	566,796	738,174
Sewer	-	1,659,235	1,659,235	1,504,058
Sanitation	-	1,948,395	1,948,395	2,016,660
TOTAL EXPENSES	14,753,992	3,607,630	18,361,622	16,139,203
INCREASE IN NET ASSETS BEFORE TRANSFERS	262,062	1,029,838	1,291,900	2,832,667
TRANSFERS IN (OUT)	1,086,906	(463,569)	623,337	576,306
INCREASE IN NET ASSETS	\$ 1,348,968	\$ 566,269	\$ 1,915,237	\$ 3,408,973

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Activities

Governmental activities increased the net assets of the City by \$1.3 million. Tax revenues for the City were \$11 million, which represents 75% of the financing of these activities. Program revenues for the functions totaled \$3.2 million. The following table shows the cost of the City's programs as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

NET COST OF THE CITY OF ROLLA'S GOVERNMENTAL ACTIVITIES

	Total Cost of Services	Net Cost of Services
General government and other	\$ 3,912,556	\$ 3,375,427
Police	1,954,356	1,724,884
Fire	2,037,977	1,726,043
Public works and maintenance	3,109,156	2,897,521
Recreation Center	2,362,447	1,076,536
Park	810,704	716,681
Airport	566,796	60,282
	<u>\$ 14,753,992</u>	<u>\$ 11,577,374</u>

Business-Type Activities

Business-type activities increased the City's net assets by \$566,269. This is down from the increase received last year from the City's business-type activities. The increase received in the prior year was \$1.1 million. One key factor was the increase in sewer user fees. Another key factor was the GASB 34 allocation of labor and materials, which decreased Sewer expenditures by approximately \$350,000. One key factor for Solid Waste Fund, revenues were increased because of the increased residential and commercial construction activity within the City, as well as solid market for recyclables. Solid waste expenditures are continuing to remain constant.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2005 were \$11.6 million. The General Fund decreased by \$4,148. The Street Fund decreased by \$4,846,997 due to spend down of bond proceeds. The Recreation Center Fund increased by \$589,720.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The General Fund budgeted a deficit or drawdown in cash and reserve balances by the end of fiscal year 2005 due to the City Hall renovation project. Excess revenues over expenditures for fiscal year 2005 were \$3,184,750. This is not only a result of inflation but an increase in administrative expenditures of \$2.5 million, which represents the renovation project. Total tax revenues collected by the General Fund had an increase of \$169,666 or 3%. After the fiscal year 2003 sales tax increase of 8.89%, fiscal year 2005 decreased a surprising 1.07%. The General Fund receives approximately 55% 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 expenditures or \$2.46 million. The fund balance in the General Fund was \$2,098,347 at fiscal year end, or 21% at fiscal year end.

The Fire Department received the approval for a \$500,000 Weapons of Mass Destruction Grant through the Homeland Security Department. Although the previous grants were awarded and expended within the year of award, the balance remaining in grant funds is estimated to be \$175,000 and is expected to be finished in fiscal year 2006.

Expenditures were budgeted to exceed revenues by \$6 million in the Street Fund. This budgeted deficit is primarily due to the \$7 million bond issue. In fiscal year 2004, the revenue from the bond issue was recorded and set aside until expended. In fiscal year 2005, no revenue is recorded but the expenditures are posted as progress is made. The Street Fund receives two ½ cent sales taxes, the Transportation Sales Tax and the Capital Improvement Sales Tax. The sales tax decrease totaled \$37,609 or 1.07% in fiscal year 2005. Expenditures in the Street Fund increased approximately \$4 million. Although this increase in expenditures may appear significant, it is an indication that projects are being completed as promised.

The Recreation Centre tax revenue had a shortfall of \$18,661, or 1.06%. Operational revenues totaled \$1,174,957 and operational expenditures at the Recreation Centre totaled \$1,339,839, reflecting an 88% recapture rate. Fiscal year 2005 was the third full year of operations for the Recreation Centre and management continues to strive to achieve the 100% recapture goal established by City Council.

The Recreation Center Fund includes SplashZone, the outdoor swimming pool complex. SplashZone's total operating expenditures were \$98,529 with operating revenues of \$110,555. SplashZone achieved a 112% recapture rate in fiscal year 2005.

General Fund Budgetary Highlights

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

- The original revenue budget of \$6,662,300 was decreased to \$6,657,200.
- The total original expenditures budget of \$10,258,660 was increased to \$10,281,620.

Mid-year budget adjustments were presented and approved by City Council at the April 4, 2005 meeting. The net decrease in budgeted revenues is primarily the result of lagging sales tax revenue. Changes in the budgeted expenditures represent an increase in healthcare costs of approximately \$89,000. The overall net negative impact to the budget was \$556,826.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities was \$78 million (net of accumulated depreciation) as of September 30, 2005. This represents a \$6.6 million increase from the prior year due primarily to street improvements made in the current year. Net capital assets for business-type activities was \$20.3 million as of September 30, 2005. This represents an increase of \$78,496 from the prior year.

Debt

Total debt of the governmental activities as of September 30, 2005 was \$22.5 million, which is up from \$1.2 million from the prior year. The City entered into a new capital lease agreement totaling \$2.5 million for City Hall improvements. However, after principal payments of \$1.2 million on the general obligation bonds and \$46,338 on capital lease agreements there was an overall increase in debt for the governmental activities of \$1.2 million.

Total debt of the business-type activities as of September 30, 2005 was \$4.7 million, which was down from the prior year by \$244,909 due to payments made on the City's capital leases and revenue bonds.

Economic Factors and Next Years Budget

Renovations at City Hall will be completed fiscal year 2006. The City was able to lease purchase the cost of the renovation but the General Fund will absorb engineering costs, costs associated with the move cost and leases, and furniture, fixtures and equipment (FF&E) costs. City spending patterns will require a more conservative approach to help reduce the additional costs associated with the renovation project.

Economic Development - In fiscal year 2004, City Council entered into a five-year contract for service with Rolla Regional Economic Commission (RREC) for Economic Development Support. For fiscal year 2006, \$115,000 has been allocated for these services. City staff is working with RREC to identify and strategize for the acquisition of additional industrial property.

Although sales tax revenues decreased 1.07% over fiscal year 2004, the City of Rolla completed its fiscal year in sound financial position. Staff will continue to monitor the situation closely but anticipates sales tax growth of 3% in fiscal year 2006. Rolla has a solid economic base with a low unemployment rate, solid residential and commercial construction trends and continual growth at UMR and Fort Leonard Wood.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The City health insurance self-funded program ended calendar year 2005 with an employee contribution rate of 27.49%. This percentage is made up of premiums withheld from payroll, co-payments and deductibles paid by employees. Note, the employee contribution calculated from the internal service fund reported on page 24 of the audit does not include the co-payments and deductibles.

Planning for a new consolidated public services facility is underway. Property has been acquired behind the existing Recycling Center and a master plan is under development. The plan for this facility is to house the departments of solid waste, vehicle maintenance, park maintenance, street, and animal control. The City is pursuing opportunities to partner with the County and other State agencies for uses of the facility as well.

Contacting the City's Financial Management

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

CITY OF ROLLA, MISSOURI
STATEMENT OF NET ASSETS
September 30, 2005

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Rolla Municipal Utilities
ASSETS				
Cash and cash equivalents - unrestricted	\$ 4,133,277	\$ 1,990,546	\$ 6,123,823	\$ 1,079,309
Investments - unrestricted	2,500,000	700,000	3,200,000	5,530,432
Ad valorem taxes receivable, net	18,844	-	18,844	-
Sales tax receivable	1,271,646	-	1,271,646	-
Utilities receivable, net	-	359,341	359,341	662,347
Other accounts receivable, net	29,134	-	29,134	22,786
Court fines receivable, net	11,474	-	11,474	-
Intergovernmental receivable	232,133	-	232,133	-
Accrued interest receivable	47,874	5,882	53,756	48,938
Inventory	28,467	-	28,467	890,656
Prepaid expenses	308,836	59,253	368,089	84,101
Restricted cash and cash equivalents	8,423	189,865	198,288	84,521
Restricted investments	5,106,164	-	5,106,164	-
Special assessments receivable	71,175	79,897	151,072	-
Deferred bond issuance costs	151,486	67,333	218,819	-
Capital Assets:				
Non-depreciable	10,150,757	-	10,150,757	716,401
Depreciable, net	67,880,163	20,394,802	88,274,965	23,051,463
TOTAL ASSETS	91,949,853	23,846,919	115,796,772	32,170,954
LIABILITIES				
Current				
Accounts payable	1,945,324	99,951	2,045,275	1,555,005
Accrued expenses	176,922	38,085	215,007	29,869
Deposits payable	-	-	-	785,488
Court bonds payable	6,478	-	6,478	-
Refundable permits and deposits payable	4,160	-	4,160	-
Accrued interest payable	117,783	-	117,783	21,498
Estimated liability for incurred but unreported claims	123,303	-	123,303	-
Current maturities of long-term debt	1,523,892	254,098	1,777,990	710,000
	3,897,862	392,134	4,289,996	3,101,860
Noncurrent				
Arbitrage payable	-	55,983	55,983	-
Compensated absences payable	562,983	101,736	664,719	103,147
Capital leases payable	2,917,817	31,484	2,949,301	4,925,000
DNR energy loan payable	5,851	-	5,851	-
General obligation bonds payable	18,075,000	-	18,075,000	-
Revenue bonds payable	-	4,449,000	4,449,000	-
	21,561,651	4,638,203	26,199,854	5,028,147
TOTAL LIABILITIES	25,459,513	5,030,337	30,489,850	8,130,007
NET ASSETS				
Invested in capital assets, net of related debt	57,032,252	15,660,220	72,692,472	18,132,864
Restricted for debt service	4,904,151	188,632	5,092,783	-
Restricted for cemetery	207,280	-	207,280	-
Unrestricted	4,346,657	2,967,730	7,314,387	5,908,083
TOTAL NET ASSETS	\$ 66,490,340	\$ 18,816,582	\$ 85,306,922	\$ 24,040,947

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2005

Functions/Programs	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets			Component Unit	
	Expenses	Operating Grants and Contributions		Governmental Activities	Primary Government Business-Type Activities	Total		Rolla Municipal Utilities
		Charges for Services	Capital Grants and Contributions					
Primary Government								
Governmental activities								
Administrative	\$ (831,277)	\$ 299,901	\$ 7,500	\$ 59,743	\$ (464,133)	\$ (464,133)	\$ -	
Administrator	(258,468)	-	-	-	(258,468)	(258,468)	-	
Finance	(480,138)	6,000	-	-	(474,138)	(474,138)	-	
Legal services	(65,614)	-	-	-	(65,614)	(65,614)	-	
City court	(127,712)	-	-	-	(127,712)	(127,712)	-	
911 telecommunications	(650,705)	162,860	-	-	(487,845)	(487,845)	-	
Animal shelter	(145,181)	1,125	-	-	(144,056)	(144,056)	-	
Police	(1,954,356)	228,297	1,175	-	(1,724,884)	(1,724,884)	-	
Fire	(2,037,977)	43,440	-	268,494	(1,726,043)	(1,726,043)	-	
Building maintenance	(41,043)	-	-	-	(41,043)	(41,043)	-	
Vehicle maintenance	(115,368)	-	-	-	(115,368)	(115,368)	-	
Engineering	(730,690)	-	-	-	(730,690)	(730,690)	-	
Planning	(504,781)	-	-	-	(504,781)	(504,781)	-	
Economic development	(117,990)	-	-	-	(117,990)	(117,990)	-	
Public works	(2,952,745)	211,635	-	-	(2,741,110)	(2,741,110)	-	
Recreation center	(2,362,447)	1,283,911	2,000	-	(1,076,536)	(1,076,536)	-	
Park	(810,704)	91,423	2,600	-	(716,681)	(716,681)	-	
Airport	(566,796)	234,512	-	272,002	(60,282)	(60,282)	-	
TOTAL GOVERNMENTAL ACTIVITIES	(14,753,992)	2,563,104	13,275	600,239	(11,577,374)	(11,577,374)	-	
Business-Type Activities								
Sewer	(1,659,235)	1,726,549	-	-	67,314	67,314	-	
Sanitation	(1,948,395)	2,674,820	-	-	726,425	726,425	-	
TOTAL BUSINESS-TYPE ACTIVITIES	(3,607,630)	4,401,369	-	-	793,739	793,739	-	
TOTAL PRIMARY GOVERNMENT	\$ (18,361,622)	\$ 6,964,473	\$ 13,275	\$ 600,239	(11,577,374)	(10,783,635)	-	
Component Unit								
Rolla Municipal Utilities	\$ (22,587,492)	\$ 23,363,024	\$ -	\$ 575,547	-	-	1,351,079	
General Revenues:								
Property taxes					989,443	989,443	-	
Sales taxes					8,867,564	8,867,564	-	
Other taxes					1,140,910	1,140,910	-	
Franchise fees					574,348	574,348	-	
Interest					230,113	445,415	165,290	
Other revenue					51,869	57,855	31,271	
Transfers					1,086,906	623,337	(623,337)	
Total General Revenues and Transfers					12,926,342	12,698,872	(426,776)	
Changes in Net Assets								
Net Assets, Beginning of year					1,348,968	1,915,237	924,303	
Net Assets, End of year					65,141,372	83,391,685	23,116,644	
					\$ 66,490,340	\$ 85,306,922	\$ 24,040,947	

See accompanying notes.

CITY OF ROLLA, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2005

	Recreation					/	Total
	General Fund	Street Fund	Center Fund	Park Fund	Airport Fund		
ASSETS							
Cash and cash equivalents	\$ 692,245	\$ 2,216,507	\$ 1,174,360	\$ 46,799	\$ 2,709	\$ 657	\$ 4,133,277
Investments	1,300,000	-	1,200,000	-	-	-	2,500,000
Ad valorem taxes receivable, net	16,181	-	-	2,663	-	-	18,844
Sales tax receivable	508,865	508,762	254,019	-	-	-	1,271,646
Other accounts receivable, net	15,041	10,030	-	-	3,238	-	28,309
Court fines receivable, net	11,474	-	-	-	-	-	11,474
Intergovernmental receivable	32,484	-	-	-	199,649	-	232,133
Accrued interest receivable	29,074	-	14,190	-	-	4,610	47,874
Inventory	-	-	-	-	28,467	-	28,467
Prepaid expenses	211,861	33,154	40,608	19,336	-	-	308,836
Due from other funds	26,460	-	-	-	3,877	-	26,460
Special assessments receivable	71,175	-	-	-	-	-	71,175
Restricted cash and cash equivalents	8,423	-	-	-	-	-	8,423
Restricted investments	-	-	4,904,151	-	-	202,013	5,106,164
TOTAL ASSETS	\$ 2,923,283	\$ 2,768,453	\$ 7,587,328	\$ 68,798	\$ 237,940	\$ 207,280	\$ 13,793,082
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 598,995	\$ 1,295,418	\$ 36,315	\$ 10,139	\$ 4,457	\$ -	\$ 1,945,324
Accrued expenses	128,090	19,080	18,223	9,561	1,968	-	176,922
Court bonds payable	6,478	-	-	-	-	-	6,478
Refundable permits and deposits payable	4,160	-	-	-	-	-	4,160
Deferred revenue	87,213	-	-	-	-	-	87,213
TOTAL LIABILITIES	824,936	1,314,498	54,538	19,700	6,425	-	2,220,097
Fund Balances							
Reserved for:							
Cemetery	-	-	-	-	-	202,013	202,013
Inventory	-	-	-	-	28,467	-	28,467
Debt service	-	-	4,904,151	-	-	-	4,904,151
Unreserved, reported in:							
General Fund	1,945	-	-	-	-	-	1,945
Designated for employees	2,096,402	-	-	-	-	-	2,096,402
Undesignated	-	-	-	-	-	-	-
Special Revenue Fund	-	-	1,800,000	40,738	-	-	1,840,738
Designated for capital improvements	-	1,453,955	828,639	8,360	203,048	-	2,494,002
Undesignated	-	-	-	-	-	5,267	5,267
Permanent Fund	-	-	-	-	-	-	-
TOTAL FUND BALANCES	2,098,347	1,453,955	7,532,790	49,098	231,515	207,280	11,572,985
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,923,283	\$ 2,768,453	\$ 7,587,328	\$ 68,798	\$ 237,940	\$ 207,280	\$ 13,793,082

CITY OF ROLLA, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET ASSETS
 September 30, 2005

Total fund balance - total governmental funds	\$ 11,572,985
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	100,678,894
Less accumulated depreciation	<u>(22,647,974)</u>
	78,030,920
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(117,783)
Adjustment of deferred revenue	87,213
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(23,085,543)
Unamortized issuance costs on bonds	151,486
Internal service fund is used by management to charge the costs of certain activities to individual funds. The liabilities of the internal service fund are included in the governmental activities in the statement of net assets	<u>(148,938)</u>
Net assets of governmental activities	<u><u>\$ 66,490,340</u></u>

See accompanying notes.

CITY OF ROLLA, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Year Ended September 30, 2005

	REVENUES							Total Governmental Funds
	General Fund	Street Fund	Recreation Center Fund	Park Fund	Airport Fund	Cemetery Fund		
Taxes	\$ 5,505,559	\$ 4,112,964	\$ 1,773,116	\$ 203,807	\$ -	\$ -	\$ 11,595,446	
Licenses and permits	182,753	-	-	-	-	-	182,753	
Intergovernmental revenues	602,540	-	2,000	2,600	272,002	-	879,142	
Charges for services	43,440	209,195	1,283,911	91,423	234,512	2,440	1,864,921	
Fines and forfeitures	216,738	-	-	-	-	-	216,738	
Miscellaneous	123,107	126,494	17,609	27,758	303	4,962	300,233	
TOTAL REVENUES	6,674,137	4,448,653	3,076,636	325,588	506,817	7,402	15,039,233	
EXPENDITURES								
Current								
Administrative	2,581,345	-	-	-	-	-	2,581,345	
Administrator	257,032	-	-	-	-	-	257,032	
Finance	496,051	-	-	-	-	-	496,051	
Legal services	65,614	-	-	-	-	-	65,614	
City court	121,527	-	-	-	-	-	121,527	
911 telecommunications	654,548	-	-	-	-	-	654,548	
Animal shelter	143,361	-	-	-	-	-	143,361	
Police	1,978,244	-	-	-	-	-	1,978,244	
Fire	2,057,388	-	-	-	-	-	2,057,388	
Building maintenance	40,213	-	-	-	-	-	40,213	
Vehicle maintenance	117,216	-	-	-	-	-	117,216	
Engineering	719,816	-	-	-	-	-	719,816	
Planning	508,542	-	-	-	-	-	508,542	
Economic development	117,990	-	-	-	-	-	117,990	
Public works	-	8,121,254	-	-	-	-	8,121,254	
Recreation center	-	-	1,565,315	-	-	-	1,565,315	
Park	-	-	-	741,972	-	-	741,972	
Airport	-	-	-	-	423,467	-	423,467	
Debt Service	-	-	-	-	-	-	-	
Principal and interest	-	607,751	1,324,761	-	-	-	1,932,512	
TOTAL EXPENDITURES	9,858,887	8,729,005	2,890,076	741,972	423,467	-	22,643,407	

See accompanying notes.

CITY OF ROLLA, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended September 30, 2005

	General Fund	Street Fund	Recreation Center Fund	Park Fund	Airport Fund	Cemetery Fund	Total Governmental Funds
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,184,750)	(4,280,352)	186,560	(416,384)	83,350	7,402	(7,604,174)
OTHER FINANCING SOURCES (USES)							
Lease proceeds	2,500,000	125,315	-	-	-	-	2,625,315
Operating transfers in (out)	57,265	(691,960)	403,160	452,015	244,629	(1,540)	463,569
Operating transfers in -RMU	623,337	-	-	-	-	-	623,337
TOTAL OTHER FINANCING SOURCES (USES)	3,180,602	(566,645)	403,160	452,015	244,629	(1,540)	3,712,221
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(4,148)	(4,846,997)	589,720	*35,631	327,979	5,862	(3,891,953)
FUND BALANCE, October 1	2,102,495	6,300,952	6,943,070	13,467	(96,464)	201,418	15,464,938
FUND BALANCE, September 30	\$ 2,098,347	\$ 1,453,955	\$ 7,532,790	\$ 49,098	\$ 231,515	\$ 207,280	\$ 11,572,985

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, 2005

Net change in fund balances - total governmental funds	\$ (3,891,953)
Amounts reported for governmental activities in the statement of activities are different because:	
<p>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 capital outlays exceeded depreciation for the year:</p>	
Capital outlay	9,549,283
Depreciation	<u>(2,903,050)</u>
	6,646,233
Some revenues reported in the governmental funds represent current financial resources and were recognized in the statement of activities when earned	(23,180)
<p>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 bonds whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net affect of these differences</p>	
Capital lease proceeds	(2,625,315)
Repayment of principal on bonds, leases and loans	1,411,653
Issuance cost amortization	(8,129)
Interest	<u>(40,413)</u>
	(1,262,204)
Some expenditures reported in the governmental funds represent the use of current financial resources and were recognized in the statement of activities when incurred.	(74,308)
Internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.	<u>(45,620)</u>
Change in net assets of governmental activities	<u>\$ 1,348,968</u>

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
September 30, 2005

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Sanitation Fund		
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,179,485	\$ 811,061	\$ 1,990,546	\$ -
Investments	-	700,000	700,000	-
Utilities receivable, net	183,779	175,562	359,341	-
Other accounts receivable	-	-	-	825
Accrued interest receivable	-	5,882	5,882	-
Prepaid expenses	21,189	38,064	59,253	-
TOTAL CURRENT ASSETS	1,384,453	1,730,569	3,115,022	825
Restricted Assets				
Cash and cash equivalents	188,632	1,233	189,865	-
Special Assessments Receivable	79,897	-	79,897	-
Deferred Bond Issuance Costs	67,333	-	67,333	-
Property, Plant and Equipment				
Buildings	578,437	750,590	1,329,027	-
Sewer treatment plant	11,016,731	-	11,016,731	-
Sewer mains and lines	12,284,727	-	12,284,727	-
Manhole covers	1,394,701	-	1,394,701	-
Major moveable equipment	1,230,369	2,522,338	3,752,707	-
	26,504,965	3,272,928	29,777,893	-
Less accumulated depreciation	(7,372,069)	(2,011,022)	(9,383,091)	-
TOTAL PROPERTY, PLANT AND EQUIPMENT	19,132,896	1,261,906	20,394,802	-
TOTAL ASSETS	20,853,211	2,993,708	23,846,919	825

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS (CONTINUED)
September 30, 2005

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Sanitation Fund		
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	72,311	27,640	99,951	-
Accrued expenses	13,548	24,537	38,085	-
Due to other funds	-	-	-	26,460
Estimated liability for incurred but unreported claims	-	-	-	123,303
Current maturities of long-term debt	254,098	-	254,098	-
TOTAL CURRENT LIABILITIES	339,957	52,177	392,134	149,763
Long-Term Liabilities				
Capital leases payable	31,484	-	31,484	-
Revenue bonds payable	4,449,000	-	4,449,000	-
Arbitrage payable	55,983	-	55,983	-
Compensated absences payable	30,218	71,518	101,736	-
TOTAL LONG-TERM LIABILITIES	4,566,685	71,518	4,638,203	-
TOTAL LIABILITIES	4,906,642	123,695	5,030,337	149,763
Net Assets				
Invested in capital assets, net of related debt	14,398,314	1,261,906	15,660,220	-
Restricted for debt service	188,632	-	188,632	-
Unrestricted	1,359,623	1,608,107	2,967,730	(148,938)
TOTAL NET ASSETS	\$ 15,946,569	\$ 2,870,013	\$ 18,816,582	\$ (148,938)

See accompanying notes.

CITY OF ROLLA, MISSOURI
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
 Year Ended September 30, 2005

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Sanitation Fund		
OPERATING REVENUES				
Charges for services	\$ 1,726,549	\$ 2,674,820	\$ 4,401,369	\$ - -
Charges to other departments	-	-	-	1,139,976
Contributions - employees	-	-	-	298,623
TOTAL OPERATING REVENUES	1,726,549	2,674,820	4,401,369	1,438,599
OPERATING EXPENSES				
Personnel services	500,295	911,788	1,412,083	-
Contractual services	44,925	580,381	625,306	-
Repairs and maintenance	62,953	107,531	170,484	-
Supplies	57,877	99,981	157,858	-
Utilities	187,440	19,053	206,493	-
Insurance claims and expenses	27,811	41,227	69,038	1,484,219
Depreciation	482,964	161,178	644,142	-
Miscellaneous	5,999	27,256	33,255	-
TOTAL OPERATING EXPENSES	1,370,264	1,948,395	3,318,659	1,484,219
OPERATING INCOME (LOSS)	356,285	726,425	1,082,710	(45,620)
NONOPERATING REVENUES (EXPENSES)				
Interest income	204,783	25,330	230,113	-
Other revenue	338	5,648	5,986	-
Interest expense	(288,971)	-	(288,971)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(83,850)	30,978	(52,872)	-
INCOME (LOSS) BEFORE OPERATING TRANSFERS	272,435	757,403	1,029,838	(45,620)
OPERATING TRANSFERS (OUT)	(137,300)	(326,269)	(463,569)	-
NET INCOME (LOSS)	135,135	431,134	566,269	(45,620)
NET ASSETS, October 1	15,811,434	2,438,879	18,250,313	(103,318)
NET ASSETS, September 30	\$ 15,946,569	\$ 2,870,013	\$ 18,816,582	\$ (148,938)

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2005

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Sanitation Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,726,815	\$ 2,686,242	\$ 4,413,057	\$ 1,439,680
Cash paid to suppliers	(367,724)	(924,028)	(1,291,752)	(1,513,998)
Cash paid to employees	(507,696)	(905,811)	(1,413,507)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	851,395	856,403	1,707,798	(74,318)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans from other funds	-	-	-	26,460
Operating transfer (out)	(137,300)	(326,269)	(463,569)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(137,300)	(326,269)	(463,569)	26,460
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of fixed assets	(393,381)	(329,257)	(722,638)	-
Payment of bond principal	(210,000)	-	(210,000)	-
Payment of interest expense	(284,327)	-	(284,327)	-
Payment of principal on capital leases	(34,909)	-	(34,909)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(922,617)	(329,257)	(1,251,874)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	205,027	24,666	229,693	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	205,027	24,666	229,693	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,495)	225,543	222,048	(47,858)
CASH AND CASH EQUIVALENTS, Beginning of year	1,371,612	586,751	1,958,363	47,858
CASH AND CASH EQUIVALENTS, End of year	1,368,117	812,294	2,180,411	-
LESS RESTRICTED CASH AND CASH EQUIVALENTS	188,632	1,233	189,865	-
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 1,179,485	\$ 811,061	\$ 1,990,546	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 356,285	\$ 726,425	\$ 1,082,710	\$ (45,620)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	482,964	161,178	644,142	-
(Increase) decrease in:				
Utilities receivable	(20,256)	5,774	(14,482)	-
Other accounts receivable	20,184	-	20,184	1,081
Prepaid expenses	(441)	(9,525)	(9,966)	-
Increase (decrease) in:				
Accounts payable	19,722	(39,074)	(19,352)	(29,779)
Accrued expenses	3,430	5,168	8,598	-
Compensated absences	(10,831)	809	(10,022)	-
Other cash received for nonoperating revenues	338	5,648	5,986	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 851,395	\$ 856,403	\$ 1,707,798	\$ (74,318)

See accompanying notes.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Reporting Entity

The City, for financial reporting purposes, includes all of the funds relevant to the operations of the City of Rolla, Missouri. The financial statements presented herein do not include agencies that have been formed under applicable state laws as separate and distinct units of government apart from the City of Rolla.

The financial statements of the City include those of separately administered organizations for which the elected officials of the City are financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and, either it is able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or financial burdens on the City.

Rolla Municipal Utilities was established by City Ordinance in 1944. Rolla Municipal Utilities is operated by a Board of Public Works, the members of which are appointed by the Mayor and approved by the City Council. In accordance with GASB Statement 14, after consideration of the financial benefits and other criteria, Rolla Municipal Utilities has been included as a component unit in the City's reporting entity. Rolla Municipal Utilities' audited component unit financial statements for the year ended September 30, 2005, 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:

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 primary government and its component unit. 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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

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

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For financial statement purposes, the City of Rolla 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.

Unreserved Fund Equity

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

Inventories

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.

Compensated Absences

PRIMARY GOVERNMENT

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The primary government's compensated absences payable at September 30, 2005 was \$562,983 for governmental activities and \$101,736 for business-type activities.

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. Rolla Municipal Utilities' compensated absences payable at September 30, 2005 was \$103,147.

Use of Estimates

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

Interest Capitalization

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

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year. Property taxes receivable have been recognized as revenue since they are considered to be measurable and available as of September 30, 2005.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE B - CASH AND CASH EQUIVALENTS

PRIMARY GOVERNMENT

The City of Rolla maintains a cash pool that is available for use by all primary government funds.

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, 2005, 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, 2005, all bank balances on deposit are entirely insured or collateralized with securities.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE C - INVESTMENTS

Primary Government

Investments of the City as of September 30, 2005 are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of Deposit	1/18/06 to 7/21/06	\$ 3,402,013
Guarantee Investment Contracts	N/A	4,904,151
		<u>\$ 8,306,164</u>

Custodial Risk

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment. The City's Certificates of Deposit are entirely insured or collateralized by a trust department of a bank that does not hold the collateralized deposits. The City's guaranteed investment contracts are invested under the State Revolving Fund Program and are required to be collateralized in the amount of 105% of the value of the investment.

Rolla Municipal Utilities

Investments of the Utility as of September 30, 2005 are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of Deposit	6/6/06 to 9/7/06	\$ 613,000
U.S. Treasury Bills	11/27/05 to 2/23/06	4,917,432
		<u>\$ 5,530,432</u>

Certificates of Deposit

Certificates of deposit with maturities in excess of three months are classified as investments but are considered deposits for custodial risk determination. State statutes require that the Utility's deposits be collateralized in the name of the Utility by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2005, all certificates of deposit are entirely insured or collateralized with securities.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE C - INVESTMENTS (continued)

U.S. Treasury Bills (SLGS)

Rolla Municipal Utilities funds in U.S. Treasury Bills (SLGS) are investments that the Utility plans to hold to maturity. These investments are held at Phelps County Bank. The funds are invested in accordance with Section 360.120.1 of the Missouri Revised Statutes. Fair market value approximates cost.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Rolla Municipal Utilities' investment policy limits the Utilities investment portfolio to maturities of approximately one year. All U.S. Government investments are held to maturity.

NOTE D - ACCOUNTS RECEIVABLE

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

	Gross Receivable	Allowance	Net Receivable
PRIMARY GOVERNMENT			
AD VALOREM TAXES RECEIVABLE			
General Fund	\$ 17,931	\$ (1,750)	\$ 16,181
Park Fund	2,663	-	2,663
	<u>\$ 20,594</u>	<u>\$ (1,750)</u>	<u>\$ 18,844</u>
UTILITIES RECEIVABLE			
Solid Waste Fund	\$ 176,562	\$ (1,000)	\$ 175,562
Sewer Fund	189,979	(6,200)	183,779
	<u>\$ 366,541</u>	<u>\$ (7,200)</u>	<u>\$ 359,341</u>
OTHER ACCOUNTS RECEIVABLE			
General Fund			
Fines	\$ 56,399	\$ (44,925)	\$ 11,474
Other	18,341	(3,300)	15,041
	74,740	(48,225)	26,515
Airport			
Other	3,238	-	3,238
Street Fund			
Other	10,030	-	10,030
	<u>\$ 88,008</u>	<u>\$ (48,225)</u>	<u>\$ 39,783</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE D - ACCOUNTS RECEIVABLE (continued)

	Gross Receivable	Allowance	Net Receivable
ROLLA MUNICIPAL UTILITIES			
Utilities receivable	\$ 677,347	\$ (15,000)	\$ 662,347
Other accounts receivable	\$ 22,786	\$ -	\$ 22,786

NOTE E - LONG-TERM DEBT

PRIMARY GOVERNMENT

LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

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

Leases

On December 15, 2002, the City entered into a lease purchase agreement to finance the purchase of a track loader. The agreement requires yearly payments of \$16,521 including interest at 3.5%.

On June 3, 2003, the City entered into a lease purchase agreement to finance the purchase of a backhoe. The lease purchase requires yearly payments of \$13,233 including interest at 4.0%.

On June 26, 2002, the City entered into a lease purchase agreement to finance the purchase of an articulated motor grader. The agreement requires 5 annual lease payments of \$18,186, including interest at 4.72%.

On May 31, 2002, the City entered into a lease purchase agreement to finance the purchase of a Case wheel loader. The agreement requires 5 annual lease payments of \$11,286, including interest at 5.00%.

On May 15, 2001, the City entered into a lease purchase agreement to finance the purchase of a new fire truck. The agreement requires 8 annual lease payments of \$85,559, including interest at 4.25%.

On June 20, 2005, the City entered into a lease purchase agreement to finance the purchase of a new backhoe with boom mower. The agreement requires four annual lease payments of \$34,307, including interest at 3.73%.

On April 9, 2004, the City entered into a lease purchase agreement to finance the purchase of a new fuel underground storage tank for the airport. The lease agreement requires eight annual lease payments of \$29,000, including interest at 5.25%.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE E - LONG-TERM DEBT (continued)

On March 21, 2005, the City entered into a lease purchase agreement to finance City Hall improvements. The lease requires annual payments of \$196,580 for the year ended September 30, 2006 and \$187,621 through September 30, 2025, which includes interest at 4.3%.

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

The total annual minimum lease payments required at September 30, 2005 are as follows:

Year Ending September 30.	Track Loader	Backhoe	Articulated Grader	Case Wheel Loader	Fire Truck	Backhoe	Under- Ground Storage Tank	City Hall Improvement Lease	Total
2006	\$ 16,521	\$ 13,233	\$ 18,187	\$ 11,286	\$ 85,599	\$ 34,307	\$ 29,106	\$ 196,580	\$ 404,819
2007	16,521	13,233	-	-	85,599	34,307	29,106	187,621	366,387
2008	-	-	-	-	85,599	34,307	29,106	187,621	336,633
2009	-	-	-	-	85,599	34,307	29,106	187,621	336,633
2010	-	-	-	-	-	-	29,106	187,621	216,727
2011	-	-	-	-	-	-	29,106	187,621	216,727
2012	-	-	-	-	-	-	29,106	187,621	216,727
2013	-	-	-	-	-	-	-	187,621	187,621
2014	-	-	-	-	-	-	-	187,621	187,621
2015	-	-	-	-	-	-	-	187,621	187,621
2016	-	-	-	-	-	-	-	187,621	187,621
2017	-	-	-	-	-	-	-	187,621	187,621
2018	-	-	-	-	-	-	-	187,621	187,621
2019	-	-	-	-	-	-	-	187,621	187,621
2020	-	-	-	-	-	-	-	187,621	187,621
2021	-	-	-	-	-	-	-	187,621	187,621
2022	-	-	-	-	-	-	-	187,621	187,621
2023	-	-	-	-	-	-	-	187,621	187,621
2024	-	-	-	-	-	-	-	187,621	187,621
2025	-	-	-	-	-	-	-	187,621	187,621
TOTAL MINIMUM LEASE PAYMENTS	33,042	26,466	18,187	11,286	342,396	137,228	203,742	3,761,379	4,533,726
LESS AMOUNT REPRESENTING INTEREST	(2,005)	(2,103)	(737)	(2,746)	(39,316)	(11,913)	(38,031)	(1,261,379)	(1,358,230)
PRINCIPAL BALANCE, SEPTEMBER 30, 2005	\$ 31,037	\$ 24,363	\$ 17,450	\$ 8,540	\$ 303,080	\$ 125,315	\$ 165,711	\$ 2,500,000	\$ 3,175,496

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE E - LONG-TERM DEBT (continued)

G.O. Bonds Payable

On September 1, 1999, the City issued \$11,700,000 in General Obligation Recreation Center Bonds due in varying annual installments through September 1, 2014, with interest at 3.60% to 5.40% due on March 1 and September 1 of each year. Bonds maturing on March 1, 2009 and thereafter are callable on March 1, 2009 under various terms of the bond ordinances.

\$ 8,000,000

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
2006	\$ 725,000	\$ 391,075	\$ 1,116,075
2007	750,000	356,038	1,106,038
2008	800,000	318,538	1,118,538
2009	825,000	278,619	1,103,619
2010	875,000	236,106	1,111,106
2011	925,000	189,963	1,114,963
2012	975,000	140,075	1,115,075
2013	1,025,000	86,819	1,111,819
2014	1,100,000	29,700	1,129,700
	<u>\$ 8,000,000</u>	<u>\$ 2,026,933</u>	<u>\$ 10,026,933</u>

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

\$ 4,680,000

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE E - LONG-TERM DEBT (continued)

Principal and interest payments are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 200,000	\$ 135,640	\$ 335,640
2007	200,000	131,640	331,640
2008	200,000	127,640	327,640
2009	200,000	123,640	323,640
2010	1,250,000	103,340	1,353,340
2011	1,300,000	61,140	1,361,140
2012	1,330,000	18,620	1,348,620
	<u>\$ 4,680,000</u>	<u>\$ 701,660</u>	<u>\$ 5,381,660</u>

On May 3, 2004, the City issued \$7,000,000 in General Obligation Bonds due in varying annual installments through March 1, 2012, with interest at 2.75% to 4.375% due on March 1 and September 1 of each year.

\$ 6,660,000

Principal and interest payments are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 340,000	\$ 248,144	\$ 588,144
2007	350,000	238,656	588,656
2008	355,000	228,519	583,519
2009	385,000	216,938	601,938
2010	400,000	203,682	603,682
2011	440,000	188,432	628,432
2012	450,000	171,182	621,182
2013	465,000	152,882	617,882
2014	500,000	134,082	634,082
2015	530,000	113,982	643,982
2016	560,000	92,182	652,182
2017	595,000	68,710	663,710
2018	625,000	42,766	667,766
2019	665,000	14,547	679,547
	<u>\$ 6,660,000</u>	<u>\$ 2,114,704</u>	<u>\$ 8,774,704</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE E - LONG-TERM DEBT (continued)

DNR Loan Payable

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

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
2006	\$ 1,213	\$ 217	\$ 1,430
2007	1,252	178	1,430
2008	1,292	138	1,430
2009	1,334	96	1,430
2010	1,377	53	1,430
2011	596	9	605
	<u>\$ 7,064</u>	<u>\$ 691</u>	<u>\$ 7,755</u>

Changes in Long-Term Debt – Governmental Activities

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

	Balance September 30, 2004	New Obligations	Retired	Balance September 30, 2005	Amounts Due Within One Year
G.O. Bonds Payable	\$ 20,580,000	\$ -	\$ 1,240,000	\$ 19,340,000	\$ 1,265,000
DNR Energy Loan	8,239	-	1,175	7,064	1,213
Capital Leases Payable	720,659	2,625,315	170,478	3,175,496	257,679
Compensated Absences	488,675	74,308	-	562,983	-
	<u>\$ 21,797,573</u>	<u>\$ 2,699,623</u>	<u>\$ 1,411,653</u>	<u>\$ 23,085,543</u>	<u>\$ 1,523,892</u>

NOTE E - LONG-TERM DEBT (continued)

LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

Sewer Fund

Long-term debt in the Sewer Fund consists of a lease purchase agreement to purchase a sludge truck, and the 1996E and 2000A Wastewater System Revenue Bonds.

Lease Purchase Agreement:

The City entered into a lease purchase agreement during the year ended September 30, 2003 to finance the purchase of a sludge truck and is required to make five annual payments of \$36,510, which includes interest at 4.00%.

This lease purchase agreement provides for cancellation of the lease on the annual renewal date if the City should fail to appropriate funds. However, the City does not foresee exercising its right to cancel. Therefore, this lease is accounted for as a noncancellable capital lease in accordance with Statement of Financial Accounting Standards 13, "Accounting for Leases".

The total annual minimum lease payments required at September 30, 2005 are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Total</u>
2006	\$ 36,510
2007	36,510
TOTAL MINIMUM LEASE PAYMENTS	73,020
LESS AMOUNT REPRESENTING INTEREST	(7,438)
PRINCIPAL BALANCE, SEPTEMBER 30, 2005	<u>\$ 65,582</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.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE E - LONG-TERM DEBT (continued)

The annual debt service requirements to amortize the principal on the 1996E revenue bonds outstanding at September 30, 2005 are listed in the following table:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2006	\$ 25,000	\$ 22,905	\$ 3,170	\$ 51,075
2007	30,000	21,255	2,956	54,211
2008	30,000	19,605	2,742	52,347
2009	30,000	18,105	2,528	50,633
2010	35,000	16,445	2,313	53,758
2011	35,000	14,607	2,063	51,670
2012	39,000	12,646	1,814	53,460
2013	40,000	10,553	1,535	52,088
2014	40,000	8,433	1,250	49,683
2015	45,000	6,180	964	52,144
2016	45,000	3,806	643	49,449
2017	50,000	1,313	357	51,670
	<u>\$ 444,000</u>	<u>\$ 155,853</u>	<u>\$ 22,335</u>	<u>\$ 622,188</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, 2005 are listed in the following table:

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE E - LONG-TERM DEBT (continued)

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2006	\$ 195,000	\$ 228,526	\$ 30,167	\$ 453,693
2007	200,000	218,874	28,775	447,649
2008	210,000	208,874	27,347	446,221
2009	225,000	198,374	25,847	449,221
2010	235,000	186,899	24,241	446,140
2011	245,000	174,914	22,563	442,477
2012	260,000	162,358	20,814	443,172
2013	275,000	148,838	18,957	442,795
2014	285,000	134,263	16,994	436,257
2015	305,000	117,875	14,959	437,834
2016	320,000	100,338	12,781	433,119
2017	340,000	82,738	10,496	433,234
2018	355,000	63,868	8,069	426,937
2019	375,000	43,988	5,534	424,522
2020	400,000	22,800	2,856	425,656
	<u>\$ 4,225,000</u>	<u>\$ 2,093,527</u>	<u>\$ 270,400</u>	<u>\$ 6,588,927</u>

Changes in Long-Term Debt - Enterprise Funds

The following table is a summary of the changes in the Enterprise Fund long-term debt for the year ended September 30, 2005:

	Balance September 30, 2004	New Obligations	Retirements	Balance September 30, 2005	Amounts Due Within One Year
1996E Revenue bonds payable	\$ 469,000	\$ -	\$ 25,000	\$ 444,000	\$ 25,000
2000A Revenue bonds payable	4,410,000	-	185,000	4,225,000	195,000
Capital lease payable	100,491	-	34,909	65,582	34,098
Compensated absences payable	111,758	-	10,022	101,736	-
	<u>\$ 5,091,249</u>	<u>\$ -</u>	<u>\$ 254,931</u>	<u>\$ 4,836,318</u>	<u>\$ 254,098</u>

ROLLA MUNICIPAL UTILITIES

Rolla Municipal Utilities entered into a lease purchase agreement during the year ended September 30, 2001 to purchase electrical generation equipment. The lease agreement calls for varying quarterly principal payments through 2010 with interest at 5.30%. Current maturity of lease principal is \$620,000.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE E - LONG-TERM DEBT (continued)

Rolla Municipal Utilities entered into a lease purchase agreement during the year ended September 30, 2003 for construction of water towers and other improvements. The lease agreement calls for varying semi-annual principal payments through 2023 with interest at 3.55%. Current maturity of lease principal is \$90,000.

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

The total annual minimum lease payments required at September 30, 2005 are as follows:

Year Ended September 30,	Total
2006	\$ 1,005,342
2007	1,001,255
2008	999,707
2009	994,970
2010	792,709
2011-2015	935,295
2016-2020	928,824
2021-2023	564,645
	<u>7,222,747</u>
LESS AMOUNT REPRESENTING INTEREST	(1,587,747)
PRINCIPAL BALANCE, SEPTEMBER 30, 2005	<u>\$ 5,635,000</u>

Changes in Long-Term Debt - Utilities

The following table is a summary of the changes in the Utility's long-term debt for the year ended September 30, 2005:

	Balance September 30, 2004	New Obligations	Retirements	Balance September 30, 2005
Leases payable	\$ 6,295,000	\$ -	\$ 660,000	\$ 5,635,000
Compensated absences	97,791	5,356	-	103,147
	<u>\$ 6,392,791</u>	<u>\$ 5,356</u>	<u>\$ 660,000</u>	<u>\$ 5,738,147</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

Primary Government	Balance September 30, 2004	Additions	Deletions	Balance September 30, 2005
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 9,040,071	\$ 1,110,686	\$ -	\$ 10,150,757
Depreciable capital assets				
Building and improvements	\$ 19,947,474	\$ 1,845,137	\$ -	21,792,611
Machinery and equipment	6,162,179	895,732	-	7,057,911
Infrastructure	55,979,887	5,697,728	-	61,677,615
Total Depreciable Capital Assets	\$ 82,089,540	\$ 8,438,597	\$ -	90,528,137
Less Accumulated Depreciation				
Buildings and improvements	\$ 3,253,449	\$ 895,330	\$ -	4,148,779
Machinery and equipment	3,411,378	309,236	-	3,720,614
Infrastructure	13,080,097	1,698,484	-	14,778,581
Total Accumulated Depreciation	\$ 19,744,924	\$ 2,903,050	\$ -	22,647,974
Total depreciable capital assets, net				67,880,163
Total governmental activities capital assets				\$ 78,030,920

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

Administration	\$ 7,166
Finance	19,299
Court	1,273
911 telecommunications	12,138
Animal control	6,394
Police	107,714
Fire	196,870
Building services	320
Vehicle maintenance	2,837
Engineering	10,874
Planning	1,872
Parks	144,891
Airport	173,247
Public works	1,791,551
Recreation	426,604
	<u>\$ 2,903,050</u>

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE F - CAPITAL ASSETS (continued)

Business-Type Activities	Balance September 30, 2004	Additions	Deletions	Balance September 30, 2005
Sewer				
Depreciable capital assets:				
Buildings	\$ 574,087	\$ 4,350	\$ -	\$ 578,437
Equipment	1,173,180	107,700	50,511	1,230,369
Sewer collection system	24,367,869	328,290	-	24,696,159
	<u>\$ 26,115,136</u>	<u>\$ 440,340</u>	<u>\$ 50,511</u>	<u>26,504,965</u>
Less Accumulated Depreciation				
Buildings	\$ 540,297	\$ 4,250	\$ -	544,547
Equipment	782,819	81,061	-	863,880
Sewer collection system	5,569,543	397,653	3,554	5,963,642
	<u>\$ 6,892,659</u>	<u>\$ 482,964</u>	<u>\$ 3,554</u>	<u>7,372,069</u>
Depreciable capital assets, net				19,132,896
Sanitation				
Depreciable capital assets:				
Buildings	\$ 749,995	\$ 595	\$ -	750,590
Equipment	2,301,431	220,907	-	2,522,338
	<u>\$ 3,051,426</u>	<u>\$ 221,502</u>	<u>\$ -</u>	<u>3,272,928</u>
Less Accumulated Depreciation				
Buildings	\$ 467,875	\$ 15,622	\$ -	483,497
Equipment	1,489,722	145,556	107,753	1,527,525
	<u>\$ 1,957,597</u>	<u>\$ 161,178</u>	<u>\$ 107,753</u>	<u>2,011,022</u>
Depreciable capital assets, net				1,261,906
Total depreciable capital assets - business-type activities				<u>\$ 20,394,802</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE F - CAPITAL ASSETS (continued)

ROLLA MUNICIPAL UTILITIES	Balance September 30, 2004	Additions	Deletions	Balance September 30, 2005
Electric Department				
Non-depreciable assets				
Land and land rights	\$ 495,658	\$ -	\$ -	\$ 495,658
Construction in progress	300,124	92,662	300,124	92,662
Total non-depreciable assets	795,782	<u>\$ 92,662</u>	<u>\$ 300,124</u>	588,320
Depreciable assets				
Transmission plant	927,083	\$ 54,282	\$ 11,637	969,728
Distribution plant	13,620,929	1,000,795	24,680	14,597,044
General plant	4,456,579	599,947	326,039	4,730,487
Total depreciable assets	19,004,591	<u>\$ 1,655,024</u>	<u>\$ 362,356</u>	20,297,259
Less accumulated depreciation	11,799,541	<u>\$ 749,226</u>	<u>\$ 366,132</u>	12,182,635
Net depreciable assets	7,205,050			8,114,624
Water Department				
Non-depreciable assets				
Land and land rights	128,081	\$ -	\$ -	128,081
Depreciable assets				
Source of supply	1,054,765	12,193	-	1,066,958
Pumping plant	2,129,894	36,913	41,003	2,125,804
Water treatment	121,777	1,047	-	122,824
Distribution	10,211,903	1,360,037	11,667	11,560,273
General	25,249	4,821	692	29,378
Total depreciable assets	13,543,588	<u>\$ 1,415,011</u>	<u>\$ 53,362</u>	14,905,237
Less accumulated depreciation	5,502,478	<u>\$ 441,959</u>	<u>\$ 47,065</u>	5,897,372
Net depreciable assets	8,041,110			9,007,865
Power Production				
Depreciable assets				
Power production	7,864,206	<u>\$ 455</u>	<u>\$ -</u>	7,864,661
Less accumulated depreciation	1,553,025	<u>\$ 382,662</u>	<u>\$ -</u>	1,935,687
Net depreciable assets	6,311,181			5,928,974
Total Capital Assets, net	<u>\$ 22,481,204</u>			<u>\$ 23,767,864</u>

NOTE G - EMPLOYEE PENSION PLAN

Plan Description

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

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

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

PRIMARY GOVERNMENT

Funding Status

The City of Rolla's full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 11.1% (general), 5.1% (police) and 15.9% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost

For 2005, the political subdivision's annual pension cost of \$623,058 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2003 and/or February 29, 2004 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2005 was 15 years.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE G - EMPLOYEE PENSION PLAN (continued)

Three-Year Trend Information				
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
06/30/03	\$ 542,639	100%	\$ -	-
06/30/04	585,396	100%	-	-
06/30/05	623,058	100%	-	-

ROLLA MUNICIPAL UTILITIES

Funding Status

Rolla Municipal Utilities' full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 9.2% (general) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost

For 2005, the political subdivision's annual pension cost of \$156.428 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2003 and/or February 29, 2004 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2005 was 15 years.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE G - EMPLOYEE PENSION PLAN (continued)

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/03	\$ 144,630	100%	\$ -
6/30/04	765,815	100%	-
6/30/05	156,428	100%	-

NOTE H - ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN

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

	2004
Assessed Valuation	
Real estate	\$ 117,468,783
Personal property	35,657,164
TOTAL	\$ 153,125,947

	2004
Tax Rates Per \$100 of Assessed Valuation	
General levy	\$.6745
Library levy	.2818
Park levy	.1712
TOTAL	\$ 1.1275

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE H - ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN (continued)

The legal debt margin at September 30, 2005, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional debt limit	\$ 15,312,595	\$ 15,312,595	\$ 30,625,190
General Obligation Bonds payable	(19,340,000)	-	(19,340,000)
Amount available for debt service	4,904,151	-	4,904,151
LEGAL DEBT MARGIN	\$ 876,746	\$ 15,312,595	\$ 16,189,341

(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 I - DEFERRED REVENUE

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred revenues include special assessments to be collected over several years and other receivables. All of the deferred revenue at September 30, 2005 is accounted for as follows:

General Fund	
Special assessments	\$ 71,175
Other	16,038
	<u>\$ 87,213</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE J - COMMITMENTS

As of September 30, 2005, the City was obligated on several different construction contracts and commitments as follows:

PRIMARY GOVERNMENT

Landfill Closing Obligation

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

Construction Contracts

The City has various construction projects in progress with significant balances remaining on the contracts at September 30, 2005.

Commitment Summary

A summary of the commitments as of September 30, 2005 is as follows:

<u>Project Description</u>	<u>Fund</u>	<u>Commitment</u>	<u>Contract</u>
Landfill Closing Obligation	General	\$ 182,855	Guarantee
Curb and Gutter	Capital Improvements	665,491	Construction
City Hall Remodeling	General	1,101,311	Construction
Asphalt Overlay	Capital Improvements	1,355,560	Construction
Sewer Extension	Sewer	47,837	Construction
Airport Lighting	Airport	141,007	Construction
Flood Mitigation	Capital Improvements	405,399	Engineering

NOTE K - RISK MANAGEMENT

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

NOTE L - DEFERRED BOND ISSUE COSTS

During 1999, the City issued the General Obligation Recreation Center Bonds. The issue costs will be amortized as an adjustment to interest expense using straight-line amortization over 16 years.

During 2004, the City issued the General Obligation Capital Improvement Bonds. The issued costs will be amortized as an adjustment to Interest Expense using straight-line amortization over 15 years.

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.

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

	Total Bond Issue Costs	Accumulated Amortization September 30, 2004	Current Amortization	Net Bond Issue Costs
Business-Type Activities	<u>\$ 92,874</u>	<u>\$ 20,897</u>	<u>\$ 4,644</u>	<u>\$ 67,333</u>
Governmental Activities	<u>\$ 200,263</u>	<u>\$ 40,648</u>	<u>\$ 8,129</u>	<u>\$ 151,486</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

NOTE M - SELF INSURANCE

In July 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 City accounts for these activities in the Internal Service Fund.

NOTE N - INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2005 consisted of the following:

	General Fund	Street Fund	Recreation Center Fund	Park Fund	Airport Fund	Cemetery Fund	Sewer Fund	Sanitation Fund	Total Primary Government	Rolla Municipal Utilities
Transfers in (out)	<u>\$ 680,602</u>	<u>\$(691,960)</u>	<u>\$ 403,160</u>	<u>\$452,015</u>	<u>\$ 244,629</u>	<u>\$(1,540)</u>	<u>\$(137,300)</u>	<u>\$(326,269)</u>	<u>\$ 623,337</u>	<u>\$(623,337)</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. Rolla Municipal Utilities transfers funds to the primary government as agreed upon by the entities.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROLLA, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended September 30, 2005

Missouri Local Government Employees Retirement System (LAGERS)

PRIMARY GOVERNMENT

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded (Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/28/03	\$ 9,550,764	\$ 9,575,321	\$ 24,557	100%	\$ 5,056,463	0%
02/29/04	10,711,783	10,608,589	(103,194)	101%	5,442,738	0%
02/28/05	11,558,883	11,591,478	32,595	100%	5,790,389	1%

ROLLA MUNICIPAL UTILITIES

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded (Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2003	\$ 3,754,843	\$ 3,864,028	\$ 109,185	97%	\$ 1,655,131	7%
2/29/2004	4,982,713	5,200,412	217,699	96%	1,706,796	13%
2/28/2005	4,419,395	4,888,334	468,939	90%	1,721,077	27%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2001 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 792,000	\$ 792,000	\$ 791,125	\$ (875)
City sales tax	3,570,000	3,533,000	3,547,320	14,320
Financial institution tax	13,000	13,000	16,400	3,400
Special assessments	20,000	20,000	25,992	5,992
Utility franchise tax	577,000	539,000	574,348	35,348
Motor vehicle tax	120,000	120,000	117,355	(2,645)
Payment in lieu of taxes	33,000	33,000	35,957	2,957
Lodging tax	250,000	250,000	252,475	2,475
Cigarette tax	113,000	113,000	122,114	9,114
Liquor tax	20,000	20,000	22,473	2,473
	<u>5,508,000</u>	<u>5,433,000</u>	<u>5,505,559</u>	<u>72,559</u>
Licenses and Permits				
Occupational licenses	46,000	46,000	41,847	(4,153)
Building permits	98,000	98,000	101,705	3,705
Other	50,100	50,100	39,201	(10,899)
	<u>194,100</u>	<u>194,100</u>	<u>182,753</u>	<u>(11,347)</u>
Intergovernmental Revenues				
Landfill	6,000	6,000	6,000	-
Grants	412,000	452,000	335,737	(116,263)
Other	191,200	221,100	260,803	39,703
	<u>609,200</u>	<u>679,100</u>	<u>602,540</u>	<u>(76,560)</u>
Charges for Services				
Fire dues and assessments	43,000	43,000	43,440	440
Fines and Forfeitures				
City court fines	185,000	185,000	212,839	27,839
Police training fees	7,000	7,000	3,899	(3,101)
	<u>192,000</u>	<u>192,000</u>	<u>216,738</u>	<u>24,738</u>
Miscellaneous				
Leases and rent income	35,000	35,000	31,939	(3,061)
Interest	65,000	65,000	80,765	15,765
Animal shelter	1,000	1,000	1,125	125
Other	15,000	15,000	9,278	(5,722)
	<u>116,000</u>	<u>116,000</u>	<u>123,107</u>	<u>7,107</u>
TOTAL REVENUES	<u>6,662,300</u>	<u>6,657,200</u>	<u>6,674,137</u>	<u>16,937</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	2,846,400	2,781,400	2,581,345	200,055
Administrator	237,550	251,550	257,032	(5,482)
Finance	556,265	538,265	496,051	42,214
Legal services	60,550	60,550	65,614	(5,064)
City court	120,000	132,000	121,527	10,473
911 telecommunications	699,860	739,860	654,548	85,312
Animal shelter	145,960	145,960	143,361	2,599
Police	1,909,070	1,951,570	1,978,244	(26,674)
Fire	2,255,720	2,245,720	2,057,388	188,332
Building maintenance	50,285	50,345	40,213	10,132
Vehicle maintenance	102,211	105,011	117,216	(12,205)
Engineering	702,315	702,315	719,816	(17,501)
Planning	432,824	437,424	508,542	(71,118)
Economic development	139,650	139,650	117,990	21,660
TOTAL EXPENDITURES	10,258,660	10,281,620	9,858,887	422,733
EXCESS OF REVENUES				
(UNDER) EXPENDITURES				
	(3,596,360)	(3,624,420)	(3,184,750)	439,670
OTHER FINANCING SOURCES				
Lease proceeds	2,800,000	2,500,000	2,500,000	-
Operating transfers in	311,180	311,180	57,265	(253,915)
Operating transfers in - RMU	610,000	610,000	623,337	13,337
TOTAL OTHER FINANCING SOURCES	3,721,180	3,421,180	3,180,602	(240,578)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES				
	124,820	(203,240)	(4,148)	199,092
FUND EQUITY, October 1	2,102,495	2,102,495	2,102,495	-
FUND EQUITY, September 30	<u>\$ 2,227,315</u>	<u>\$ 1,899,255</u>	<u>\$ 2,098,347</u>	<u>\$ 199,092</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 4,143,000	\$ 4,113,000	\$ 4,112,964	\$ (36)
Intergovernmental revenues	182,000	182,000	-	(182,000)
Charges for services	115,000	115,000	209,195	94,195
Interest income	1,000	1,000	113,590	112,590
Miscellaneous	22,000	22,000	12,904	(9,096)
TOTAL REVENUES	4,463,000	4,433,000	4,448,653	15,653
EXPENDITURES				
Current				
Street	1,596,288	1,606,882	1,660,534	(53,652)
Capital improvements	7,996,000	8,002,000	6,460,720	1,541,280
Debt service	558,474	558,474	607,751	(49,277)
TOTAL EXPENDITURES	10,150,762	10,167,356	8,729,005	1,438,351
EXCESS OF REVENUES (UNDER) EXPENDITURES	(5,687,762)	(5,734,356)	(4,280,352)	1,454,004
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	-	125,315	125,315
Operating transfers in (out)	(357,040)	(357,040)	(691,960)	(334,920)
TOTAL OTHER FINANCING SOURCES (USES)	(357,040)	(357,040)	(566,645)	(209,605)
EXCESS OF REVENUES AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER USES	(6,044,802)	(6,091,396)	(4,846,997)	1,244,399
FUND EQUITY, October 1	6,300,952	6,300,952	6,300,952	-
FUND EQUITY, September 30	\$ 256,150	\$ 209,556	\$ 1,453,955	\$ 1,244,399

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – RECREATION CENTER FUND
 Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 1,790,000	\$ 1,775,000	\$ 1,773,116	\$ (1,884)
Intergovernmental revenue	2,000	2,000	2,000	-
Charges for services	1,329,600	1,339,600	1,283,911	(55,689)
Interest income	37,000	37,000	15,609	(21,391)
Miscellaneous	500	500	2,000	1,500
TOTAL REVENUES	<u>3,159,100</u>	<u>3,154,100</u>	<u>3,076,636</u>	<u>(77,464)</u>
EXPENDITURES				
Current				
Guest services	221,844	221,844	206,979	14,865
Recreation	87,744	87,744	107,705	(19,961)
Aquatic	239,630	242,130	220,183	21,947
Fitness	147,244	155,244	162,701	(7,457)
Administration	409,996	394,996	453,958	(58,962)
Maintenance	282,310	286,310	297,715	(11,405)
Splashzone	111,950	117,950	116,074	1,876
Debt Service				
Principal and interest	1,340,313	1,340,313	1,324,761	15,552
TOTAL EXPENDITURES	<u>2,841,031</u>	<u>2,846,531</u>	<u>2,890,076</u>	<u>(43,545)</u>
EXCESS OF REVENUES OVER EXPENDITURES	318,069	307,569	186,560	(121,009)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(91,000)	(91,000)	403,160	494,160
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	227,069	216,569	589,720	373,151
FUND EQUITY, October 1	6,943,070	6,943,070	6,943,070	-
FUND EQUITY, September 30	<u>\$ 7,170,139</u>	<u>\$ 7,159,639</u>	<u>\$ 7,532,790</u>	<u>\$ 373,151</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 204,500	\$ 204,500	\$ 203,807	\$ (693)
Intergovernmental revenue	100	14,000	2,600	(11,400)
Charges for services	99,300	99,300	91,423	(7,877)
Interest income	-	-	373	373
Miscellaneous	15,100	18,000	27,385	9,385
TOTAL REVENUES	319,000	335,800	325,588	(10,212)
EXPENDITURES				
Current				
Park	683,730	709,730	741,972	(32,242)
TOTAL EXPENDITURES	683,730	709,730	741,972	(32,242)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(364,730)	(373,930)	(416,384)	(42,454)
OTHER FINANCING SOURCES				
Operating transfers in	375,000	375,000	452,015	77,015
TOTAL OTHER FINANCING SOURCES	375,000	375,000	452,015	77,015
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	10,270	1,070	35,631	34,561
FUND EQUITY, October 1	13,467	13,467	13,467	-
FUND EQUITY, September 30	\$ 23,737	\$ 14,537	\$ 49,098	\$ 34,561

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – AIRPORT FUND
 Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Intergovernmental revenue	\$ 667,000	\$ 562,000	\$ 272,002	\$ (289,998)
Charges for services	228,000	188,000	234,512	46,512
Miscellaneous	28,600	28,600	303	(28,297)
TOTAL REVENUES	923,600	778,600	506,817	(271,783)
EXPENDITURES				
Current				
Airport	838,650	831,650	423,467	408,183
TOTAL EXPENDITURES	838,650	831,650	423,467	408,183
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	84,950	(53,050)	83,350	136,400
OTHER FINANCING SOURCES				
Operating transfers in	82,000	82,000	244,629	162,629
TOTAL OTHER FINANCING SOURCES	82,000	82,000	244,629	162,629
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	166,950	28,950	327,979	299,029
FUND EQUITY, October 1	(96,464)	(96,464)	(96,464)	-
FUND EQUITY, September 30	\$ 70,486	\$ (67,514)	\$ 231,515	\$ 299,029

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CEMETERY FUND
 Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Interest income	\$ -	\$ -	\$ 4,962	\$ 4,962
Charges for services	8,000	8,000	2,440	(5,560)
TOTAL REVENUES	8,000	8,000	7,402	(598)
OTHER FINANCING (USES)				
Operating transfers (out)	-	-	(1,540)	(1,540)
TOTAL OTHER FINANCING (USES)	-	-	(1,540)	(1,540)
EXCESS OF REVENUES OVER OTHER USES	8,000	8,000	5,862	(2,138)
FUND EQUITY, October 1	201,418	201,418	201,418	-
FUND EQUITY, September 30	<u>\$ 209,418</u>	<u>\$ 209,418</u>	<u>\$ 207,280</u>	<u>\$ (2,138)</u>

CITY OF ROLLA, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2005

Budgets and Budgetary Accounting

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

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



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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 financial statements of the City of Rolla, Missouri as of and for the year ended September 30, 2005, and have issued our report thereon dated December 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Rolla, Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

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*.

This report is intended solely for the information and use of the 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, P.C.

DAVIS, LYNN & MOOTS, P.C.
December 11, 2005



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

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

Compliance

We have audited the compliance of the City of Rolla, Missouri with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2005. The City of Rolla, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City of Rolla, Missouri's management. Our responsibility is to express an opinion on the City of Rolla, Missouri's compliance based on our audit.

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

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

In our opinion, the City of Rolla, Missouri complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2005.

Internal Control over Compliance

The management of the City of Rolla, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Rolla, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the 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.
December 11, 2005

CITY OF ROLLA, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended September 30, 2005

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Missouri State Emergency Management Agency WMD Terrorism Grant	97.004	2004-GE-T4-0049 2003-MU-T3-0003	\$ 38,400 <u>176,893</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			215,293
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Missouri Department of Economic Development Community Development Block Grant	14.228	97-ND-312	59,743
Missouri Department of Social Services Emergency Shelter Grant Program	14.231	N/A	<u>7,500</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			67,243
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Missouri Department of Transportation Airport Improvement Program	20.106	AIRE(015,025,035)-56A	<u>199,649</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			199,649
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Missouri Department of Natural Resources Capitalization Grant for State Revolving Loan Funds	66.458	N/A	<u>152,919</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			152,919
<u>FEDERAL EMERGENCY MANAGEMENT ADMINISTRATION</u>			
Direct Assistance to Fire Fighters Grant	83.554	EMW-2003-FG-16743	<u>52,200</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 687,304</u>

N/A – Not Applicable

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF ROLLA, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements.
2. No reportable conditions were disclosed in the audit of the basic financial statements.
3. No instances of noncompliance material to the basic financial statements were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. No findings relative to the major federal award programs were noted.
7. The following were tested as major programs:

Capitalization Grant for State Revolving Loan Funds	66.458
Airport Improvement Program	20.106
8. The threshold for determining Type A programs was \$300,000.
9. The City of Rolla, Missouri was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

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

CITY OF ROLLA, MISSOURI
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2005

There were no prior audit findings.