

**CITY OF  
ROLLA, MISSOURI**

**INDEPENDENT AUDITORS' REPORT**

For the Year Ended September 30, 2006

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Rolla, Missouri as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Rolla, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rolla, Missouri as of September 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

*Evers & Company, CPA's, LLC*

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

November 29, 2006

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2006

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The management's discussion and analysis of the City of Rolla's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2006. Please read it in conjunction with the City's financial statements.

***Financial Highlights***

- The net assets of the City's governmental activities increased by \$1.8 million or 2.7% for the year as a result of current year activities. The net assets of the City's business activities increased by \$703,643 or 3.7% for the year.
- The assets of the City exceeded its liabilities as of September 30, 2006 by \$88.1 million (net assets). Of this amount \$10.8 million was unrestricted and may be used to meet future obligations of the City.
- 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 2006, 23 miles of sidewalk improvements had been completed. In addition, 3 large detention ponds were completed to improve storm water runoff.
- 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 2006, the projects completed were the intersection at Highway 63, Walnut and Cedar, Southview south of Winchester, the Taylor/Anderson detention, Tory/18<sup>th</sup> detention, Vichy Road detention, White Columns detention, RCDC detention, Elm Street box culvert, Old Saint James Road box culvert, Highway O North and South box culvert, Chestnut box culvert, Forum Drive box culvert and Rolla Street box culvert. Debt Service payments will continue to come from the capital improvement sales tax through 2019.
- Total estimated construction costs for fiscal year 2006 were \$38,495,878 compared to \$31,993,162 estimated in fiscal year 2005. Overall, 270 new housing units were added in fiscal year 2006.

## CITY OF ROLLA

Rolla, Missouri

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended September 30, 2006

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- In 2005 the City entered into a \$2,500,000 lease purchase agreement (20 years) for the renovations of City Hall. Departments moved into the renovated building in March 2006 and final payments were made in fiscal year 2006. Annual lease payment of \$193,000 will be paid from the general revenues of the City through 2025.
- The Recreation Centre completed its fourth full year of operations in 2006, achieving a 90% recapture rate. SplashZone ended the year with 102% recapture. Overall, revenues for the Centre increased by 2.5% while expenses increased by .25%. Revenues for SplashZone decreased 0.88% while expenses increased 9.1%.

#### *Using This Annual Report*

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

#### *Government-Wide Financial Statements*

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

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

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2006

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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 difference between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds are shown in reconciliation following the fund financial statement.



**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2006

- 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:

	Governmental Activities	Business-Type Activities	Total September 30, 2006	Governmental Activities	Business-Type Activities	Total September 30, 2005
Current and other assets	\$10,825,398	\$ 6,137,394	\$ 16,962,792	\$ 13,918,933	\$ 3,452,117	\$ 17,371,050
Capital assets	80,883,656	21,456,208	102,339,864	78,030,920	20,394,802	98,425,722
TOTAL ASSETS	91,709,054	27,593,602	119,302,656	91,949,853	23,846,919	115,796,772
Long-term liabilities outstanding	21,843,277	4,690,353	26,533,630	21,561,651	4,638,203	26,199,854
Other liabilities	1,235,569	3,408,365	4,643,934	3,897,862	392,134	4,289,996
TOTAL LIABILITIES	23,078,846	8,098,718	31,177,564	25,459,513	5,030,337	30,489,850
Net Assets:						
Invested in capital assets net of related debt	59,820,298	16,931,469	76,751,767	57,032,252	15,660,220	72,692,472
Restricted	4,898,104	573,006	5,471,110	5,111,431	188,632	5,300,063
Unrestricted	3,911,806	1,990,409	5,902,215	4,346,657	2,967,730	7,314,387
TOTAL NET ASSETS	<u>\$68,630,208</u>	<u>\$ 19,494,884</u>	<u>\$ 88,125,092</u>	<u>\$ 66,490,340</u>	<u>\$ 18,816,582</u>	<u>\$ 85,306,922</u>

Total net assets of the City increased by \$2.8 million for the year due to current year activity. Capital assets for the governmental activities totaled \$81 million as of September 30, 2006. Of this amount, \$49.2 million represents infrastructure assets such as roads, sidewalks, and storm drainage systems net of accumulated depreciation.

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2006

**CHANGE IN NET ASSETS**

	Govern- mental Activities	Business-Type Activities	Total Year Ended September 30, 2006	Govern- mental Activities	Business-Type Activities	Total Year Ended September 30, 2005
<b>REVENUES</b>						
Program Revenues						
Charges for services	\$ 2,326,853	\$ 4,465,369	\$ 6,792,222	\$2,563,104	\$4,401,369	\$ 6,964,473
Operating grants & contributions	306,548	-	306,548	13,275	-	13,275
Capital grants & contributions	399,383	5,833	398,910	600,239	-	600,239
General Revenues						
Property taxes	1,042,036	-	1,042,036	989,443	-	989,443
Sales taxes	9,054,690	-	9,054,690	8,867,564	-	8,867,564
Other taxes	1,180,766	-	1,180,766	1,140,910	-	1,140,910
Franchise fees	2,012,561	-	2,012,561	574,348	-	574,348
Interest	357,180	278,255	635,435	215,302	230,113	445,415
Other revenue	1,417,361	115,769	1,539,436	51,869	5,986	57,855
<b>TOTAL REVENUES</b>	<b>18,097,378</b>	<b>4,865,226</b>	<b>22,962,604</b>	<b>15,016,054</b>	<b>4,637,468</b>	<b>19,653,522</b>
<b>EXPENSES</b>						
General government & other	5,863,860	-	5,863,860	3,912,556	-	3,912,556
Public safety	3,908,707	-	3,908,707	3,994,333	-	3,994,333
Highways and streets	2,956,493	-	2,956,493	3,109,156	-	3,109,156
Recreation Centre	2,434,947	-	2,434,947	2,362,447	-	2,362,447
Park	791,030	-	791,030	810,704	-	810,704
Airport	506,471	-	506,471	566,796	-	566,796
Sewer	-	1,698,897	1,698,897	-	1,659,235	1,659,235
Sanitation	-	2,275,590	2,275,590	-	1,948,395	1,948,395
<b>TOTAL EXPENSES</b>	<b>16,461,508</b>	<b>3,974,487</b>	<b>20,435,995</b>	<b>14,755,992</b>	<b>3,607,630</b>	<b>18,363,622</b>
<b>INCREASE IN NET ASSETS</b>						
<b>BEFORE TRANSFERS</b>	1,635,870	890,739	2,526,609	260,062	1,029,838	1,289,900
<b>TRANSFERS IN (OUT)</b>	187,096	(187,096)	-	1,086,906	(463,569)	623,337
<b>INCREASE IN NET ASSETS</b>	<b>\$ 1,822,966</b>	<b>\$ 703,643</b>	<b>\$ 2,526,609</b>	<b>\$1,346,968</b>	<b>\$ 566,269</b>	<b>\$ 1,913,237</b>

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2006

***Governmental Activities***

Governmental activities increased the net assets of the City by \$1.8 million. Tax revenues for the City were \$11.1 million, which represents 67% of the financing of these activities. Program revenues for the functions totaled \$3.1 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**

	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government and other	\$ 5,863,860	\$ 4,962,993	\$ 3,912,556	\$ 3,375,427
Public safety	3,908,707	3,700,761	3,994,333	3,450,927
Highways and streets	2,956,493	2,735,299	3,109,156	2,897,521
Recreation Centre	2,434,947	1,122,631	2,362,447	1,076,536
Park	791,030	683,973	810,704	716,681
Airport	506,471	223,066	566,796	60,282
	<u>\$ 16,461,508</u>	<u>\$ 13,428,723</u>	<u>\$ 14,755,992</u>	<u>\$11,577,374</u>

***Business-Type Activities***

Business-type activities increased the City's net assets by \$703,643. This is an increase from the increase received last year from the City's business-type activities. The increase received in the prior year was \$566,269. One key factor was the increase in sewer user fees. 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.

## CITY OF ROLLA

Rolla, Missouri

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended September 30, 2006

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

The combined fund balances of the City's governmental funds as of September 30, 2006 were \$9.6 million. The General Fund decreased by \$540,065. The Street Fund decreased by \$1,049,358 due to spend down of bond proceeds. The Recreation Center Fund decreased by \$249,479.

The General Fund budgeted a deficit (drawdown in cash and reserve balances) in fiscal year 2006 due to the City Hall renovation project. Excess expenditures over revenues for fiscal year 2006 were \$540,065. This is a result of both inflation and an increase in administrative expenditures of \$2.5 million, which represents the City Hall renovation project. Total tax revenues collected by the General Fund had an increase of \$211,025. After the surprising 1.07% decline in fiscal year 2005, it was encouraging to complete fiscal year 2006 with a 6.07% increase. 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 \$2.38 million. The fund balance in the General Fund was \$1,578,840 at fiscal year end, or 17% at fiscal year end.

Through September 30, 2006, the Fire Department has received the approval for a total of \$1,021,000 in Weapons of Mass Destruction Grants through the Homeland Security Department. Although the previous grants were awarded and expended within the year of award, the balance remaining in grant funds is estimated to be \$150,000 and is expected to be expended in fiscal year 2007.

Expenditures were budgeted to exceed revenues by \$1.3 million in the Street Fund. This budgeted deficit is primarily due to the spending down of the \$7 million bond issue from 2004. In fiscal year 2004, the revenue from the bond issue was recorded and set aside to fund street and stormwater projects. The Street Fund receives two ½ cent sales taxes, the Transportation Sales Tax and the Capital Improvement Sales Tax. The sales tax increase totaled \$210,925 or 6.07% in fiscal year 2006. Expenditures in the Street Fund decreased approximately \$3 million. This decrease is the result of the funds from the \$7M bond issue being expended. Although this decrease in expenditures may appear significant, it is an indication that projects are being completed as promised.

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2006

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The Recreation Centre tax revenue had a growth of \$104,793, or 6.03%. Total operating revenues equaled \$1,203,840 and total operating expenditures at the Recreation Centre equaled \$1,242,223. Fiscal year 2006 was the fourth full year of operations for the Recreation Centre. While management continues to strive to achieve the 100% recapture goal established by City Council the operating recapture rate for the Centre was 90%.

The Recreation Centre Fund includes SplashZone, the outdoor swimming pool complex. Total operating revenues equaled \$109,573 and total operating expenditures at SplashZone equaled \$107,448. SplashZone achieved a 102% recapture rate in fiscal year 2006.

***General Fund Budgetary Highlights***

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

- The original revenue budget of \$7,782,400 was increased to \$8,094,900.
- The total original expenditures budget of \$8,717,755 was increased to \$9,430,155.

Mid-year budget adjustments were presented and approved by City Council at the July 3, 2006 meeting. The net increase in budgeted revenues is primarily the result of increased sales tax revenue and the revision of the RMU PILOT. Changes in the budgeted expenditures represented an increase in healthcare costs, the purchase of the Meade property for the future consolidated public services yard and various street projects that were completed with the mild winter.

Year end budget adjustments were presented and approved by City Council at the September 18, 2006 meeting. The year end budget adjustments were done to comply with Chapter 67, RSMo. After both mid-year and year end budget adjustments were made, the overall net impact to the budget was a reduction of \$399,900.

***Capital Asset and Debt Administration***

**Capital Assets**

Capital assets of the government activities were \$80 million (net of accumulated depreciation) as of September 30, 2006. This represents a \$2.8 million increase from the prior year due primarily to street improvements made in the current year. Net capital assets for business-type activities were \$21.4 million as of September 30, 2006. This represents an increase of \$1.1 million from the prior year.

**CITY OF ROLLA**  
Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2006

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

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Non-Depreciable Assets:						
Land	\$ 10,751,829	\$10,150,757	\$ 680,491	\$ -	\$ 11,432,320	\$10,150,757
Construction in Progress	100,000	-	-	-	100,000	-
Depreciable Assets:						
Buildings and improvements	17,648,502	17,643,832	288,345	300,983	17,936,847	17,944,815
Infrastructure	49,245,318	46,899,034	19,010,613	18,732,517	68,255,931	65,631,551
Machinery and equipment	3,138,007	3,337,297	1,476,759	1,361,302	4,614,766	4,698,599
<b>Total</b>	<u>\$ 80,883,656</u>	<u>\$78,030,920</u>	<u>\$21,456,208</u>	<u>\$20,394,802</u>	<u>\$102,339,864</u>	<u>\$98,425,722</u>

**Debt**

Total debt of the governmental activities as of September 30, 2006 was \$21.1 million, which is down from \$22.5 million from the prior year.

Total debt of the business-type activities as of September 30, 2006 was \$4.6 million, which was down from the prior year by \$154,433 due to payments made on the City's capital leases and revenue bonds, however there were also some increases due to additional capital lease agreements in the current year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended September 30, 2006

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**Outstanding Debt Obligations**

	Governmental		Business-type		Totals	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 18,075,000	\$ 19,340,000	\$ -	\$ -	\$ 18,075,000	\$ 19,340,000
Loans	5,852	7,064	-	-	5,852	7,064
Revenue bonds	-	-	4,449,000	4,669,000	4,449,000	4,669,000
Capital leases	3,024,457	3,175,496	138,429	72,862	3,162,886	3,248,358
<b>Total</b>	<u>\$ 21,105,309</u>	<u>\$ 22,522,560</u>	<u>\$ 4,587,429</u>	<u>\$ 4,741,862</u>	<u>\$ 25,692,738</u>	<u>\$ 27,264,422</u>

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

Renovations at City Hall were completed in fiscal year 2006. The City was able to lease purchase the cost of the renovation, but the General Fund absorbed 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 2007, \$115,000 has been allocated for these services.

Sales tax revenues increased 6.07% in fiscal year 2006. The City of Rolla completed its fiscal year with a tight General Fund due to the City Hall renovation project. Staff will continue to monitor the situation closely, but anticipates sales tax growth of 3.5% in fiscal year 2007. Rolla has a solid economic base with a low unemployment rate, solid residential and commercial construction trends and sustained growth at UMR and Fort Leonard Wood. Uncertainty surrounding the future of the USGS Mid-Continent Mapping Center and Briggs & Stratton will similarly require careful monitoring.

**CITY OF ROLLA**

Rolla, Missouri

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For The Year Ended September 30, 2006

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The City self-funded health insurance program ended calendar year 2006 with an employee contribution rate of 30.08%. 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 20 of the audit does not include the co-payments and deductibles paid by employees.

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

Although the project is in the preliminary stage, meetings have been held between the City and various entities to discuss funding for Rolla West (5<sup>th</sup> Interchange).

In November 2006, the City Council executed a redevelopment agreement with Sansone Group to provide TIF financing for the elimination of blighted conditions and for economic opportunities at the corner of Highway 63 and 72 in Rolla.

***Request for Information***

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

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



# **BASIC FINANCIAL STATEMENTS**

CITY OF ROLLA  
ROLLA, MISSOURI

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rolla Municipal Utilities
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,249,056.37	\$ 683,613.03	\$ 1,932,669.40	\$ 1,933,794.00
Certificates of deposit	1,925,656.81	1,000,000.00	2,925,656.81	604,000.00
Investments	-	-	-	3,902,525.00
Receivables (net of allowance for uncollectibles)	1,945,819.94	450,215.26	2,396,035.20	1,480,784.00
Other receivables	-	-	-	121,181.00
Interest receivable	41,958.96	53,850.48	95,809.44	61,964.00
Prepaid expenses	359,363.02	70,520.49	429,883.51	108,374.00
Inventories	42,242.08	-	42,242.08	1,039,921.00
Restricted Assets:				
Cash and cash equivalents	8,850.41	525,215.32	534,065.73	-
Investments	5,111,005.14	3,291,289.20	8,402,294.34	-
Deferred charges	141,445.82	62,689.76	204,135.58	-
Capital Assets:				
Construction in progress	100,000.00	-	100,000.00	92,662.00
Land	10,751,829.10	680,491.02	11,432,320.12	813,744.00
Property, plant and equipment, net	70,031,826.69	20,775,717.14	90,807,543.83	23,892,551.00
Total Assets	<u>91,709,054.34</u>	<u>27,593,601.70</u>	<u>119,302,656.04</u>	<u>34,051,500.00</u>
<b>LIABILITIES</b>				
Accounts payable	785,731.89	136,354.29	922,086.18	1,389,540.00
Deposits payable	-	-	-	829,039.00
Accrued expenses	-	-	-	221,060.00
Payroll taxes payable	69,292.90	10,674.47	79,967.37	-
Accrued wages payable	85,229.58	16,748.93	101,978.51	-
Retainage payable	71,753.41	-	71,753.41	-
Deferred revenue	7,732.00	1,088.42	8,820.42	-
Due to other governments	8,743.00	-	8,743.00	-
Accrued interest payable	166,052.65	-	166,052.65	21,498.00
Refundable permits	33,300.00	-	33,300.00	-
Payable from restricted assets:				
Court bonds payable	7,734.00	-	7,734.00	-
Accrued interest payable	-	61,753.16	61,753.16	-
Payable to other governments	-	3,181,745.56	3,181,745.56	577,530.00
Noncurrent liabilities:				
Due within one year:				
Capital leases payable	277,206.29	60,856.05	338,062.34	750,000.00
Bonds payable	1,290,000.00	230,000.00	1,520,000.00	-
Due in more than one year:				
Compensated absences	638,473.35	102,924.48	741,397.83	134,046.00
Capital leases payable	2,753,102.30	77,572.77	2,830,675.07	4,175,000.00
Bonds payable, net of issuance premium	16,884,494.97	4,219,000.00	21,103,494.97	-
Total Liabilities	<u>23,078,846.34</u>	<u>8,098,718.13</u>	<u>31,177,564.47</u>	<u>8,097,713.00</u>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	59,820,298.05	16,931,469.10	76,751,767.15	19,873,957.00
Restricted for:				
Debt service	4,898,104.00	573,005.80	5,471,109.80	-
Unrestricted	3,911,805.95	1,990,408.67	5,902,214.62	6,079,830.00
Total Net Assets	<u>\$ 68,630,208.00</u>	<u>\$ 19,494,883.57</u>	<u>\$ 88,125,091.57</u>	<u>\$ 25,953,787.00</u>

See accompanying notes to the financial statements.

CITY OF ROLLA  
ROLLA, MISSOURI

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Component Unit Rolla Municipal Utilities			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Primary Government Business-type Activities	Total
<b>Primary Government:</b>								
Governmental activities:								
General government	\$ 5,815,590.00	\$ 324,081.77	\$ 244,309.45	\$ 332,475.45	\$ (4,914,723.33)	\$ -	\$ (4,914,723.33)	\$ -
Public safety	3,908,707.35	207,946.32	-	-	(3,700,761.03)	-	(3,700,761.03)	-
Highways and streets	2,956,493.31	115,449.66	45,744.58	60,000.00	(2,735,299.07)	-	(2,735,299.07)	-
Airport	506,470.85	273,701.45	2,795.63	6,907.59	(223,066.18)	-	(223,066.18)	-
Cemetery	-	-	-	-	-	-	-	-
Recreation	2,434,946.74	1,304,217.17	8,098.29	-	(1,122,631.28)	-	(1,122,631.28)	-
Park	791,029.97	101,456.96	5,599.73	-	(683,973.28)	-	(683,973.28)	-
Interest on long-term debt	48,269.65	-	-	-	(48,269.65)	-	(48,269.65)	-
Total governmental activities	16,461,507.87	2,326,833.33	306,547.68	399,383.04	(13,428,723.82)	-	(13,428,723.82)	-
Business-type activities:								
Sanitation	2,275,589.99	2,728,780.06	-	\$ 833.33	-	459,023.40	459,023.40	-
Sewer	1,698,896.69	1,736,588.46	-	-	-	37,691.77	37,691.77	-
Total business-type activities	3,974,486.68	4,465,368.52	-	\$ 833.33	-	496,715.17	496,715.17	-
Total primary government	\$ 20,435,994.55	\$ 6,792,221.85	\$ 306,547.68	\$ 405,216.37	(13,428,723.82)	496,715.17	(12,932,008.65)	-
<b>Component unit:</b>								
Rolla Municipal Utilities	\$ 26,881,679.00	\$ 28,168,451.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,286,772.00
<b>General Revenues:</b>								
Real estate taxes					1,026,604.36		1,026,604.36	
Financial institution taxes					6,000.06		6,000.06	
Franchise taxes					2,012,561.09		2,012,561.09	
Railroad/utility taxes					15,431.39		15,431.39	
Sales taxes					9,054,689.96		9,054,689.96	
Gasoline taxes					466,118.95		466,118.95	
Lodging taxes					278,708.79		278,708.79	
Motor vehicle taxes					213,730.31		213,730.31	
Pilot taxes					40,922.20		40,922.20	
Cigarette taxes					150,059.53		150,059.53	
Alcohol taxes					24,837.50		24,837.50	
NID assessment taxes					388.93		388.93	
Capital contributions from developers					134,400.00		134,400.00	267,049.00
Gain/(loss) on sale of capital assets					(28,958.61)		(28,958.61)	4,077.00
Miscellaneous revenues					753,940.84		753,940.84	124,023.00
Unrestricted investment earnings					357,179.51		357,179.51	242,080.00
Transfers					(187,095.50)		(187,095.50)	(1,161.00)
Total general revenues and transfers					15,251,688.92		15,251,688.92	626,068.00
Change in net assets					1,822,965.10		1,822,965.10	1,912,840.00
Net assets - beginning					66,603,157.94		66,603,157.94	24,040,947.00
Prior period adjustment					204,084.96		204,084.96	-
Net assets - beginning, as restated					66,807,242.90		66,807,242.90	24,040,947.00
Net assets - ending					68,630,208.00		68,630,208.00	25,953,787.00

See accompanying notes to the financial statements.

CITY OF ROLLA  
ROLLA, MISSOURI

BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2006

	General	Street	Recreation Centre	Park	Airport	Cemetery	Park Land Reserve	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 330,827.50	\$ 306,178.20	\$ 541,563.30	\$ 196.73	\$ 19,762.22	\$ 2,371.22	\$ 48,157.20	\$ 1,249,056.37
Certificates of deposit	300,000.00	-	1,625,656.81	-	-	-	-	1,925,656.81
Receivables, net								
Accounts receivable	136,629.12	27,448.37	-	8.00	-	-	-	164,085.49
Taxes receivable	964,079.67	523,234.12	220,998.86	5,129.34	-	-	-	1,713,441.99
Interest receivable	3,529.32	-	31,332.16	-	-	7,097.48	-	41,958.96
Grants receivable	49,601.76	-	-	-	14,942.48	-	-	64,544.24
Prepaid expenses	248,172.25	36,691.32	42,847.97	27,459.09	4,192.39	-	-	359,363.02
Inventory								
Due from other funds	108,293.87	-	-	-	42,242.08	-	-	108,293.87
Retrieved assets:								
Cash and cash equivalents	8,850.41	-	-	-	-	-	-	8,850.41
Investments			4,898,104.00	-	-	212,901.14	-	5,111,005.14
<b>TOTAL ASSETS</b>	<b>2,149,983.90</b>	<b>893,552.01</b>	<b>7,360,503.10</b>	<b>32,793.16</b>	<b>81,139.17</b>	<b>222,569.84</b>	<b>48,157.20</b>	<b>10,788,498.38</b>
<b>LIABILITIES &amp; FUND BALANCE</b>								
Accounts payable	275,010.09	321,993.75	61,937.85	7,741.28	15,101.37	-	-	681,784.34
Payroll taxes payable	55,300.19	5,640.38	4,655.12	3,118.28	578.93	-	-	69,292.90
Accrued wages payable	59,488.58	8,117.29	10,599.38	5,907.97	1,116.36	-	-	85,229.58
Retainage payable		51,177.75	-	-	20,575.66	-	-	71,753.41
Due to other funds				77,720.10	30,573.77	-	-	108,293.87
Due to other governments	8,743.00	-	-	-	-	-	-	8,743.00
Deferred revenue	131,568.49	9,768.95	-	5,089.88	506.00	-	-	146,933.32
Refundable permits	33,300.00	-	-	-	-	-	-	33,300.00
Payable from restricted assets:								
Court bonds payable	7,734.00	-	-	-	-	-	-	7,734.00
Total Liabilities	571,144.35	396,698.12	77,192.35	99,577.51	68,452.09	-	-	1,213,064.42
<b>FUND BALANCES:</b>								
Retrieved for:								
Inventory								
Prepaid expenses					42,242.08			42,242.08
Restricted for:								
Debt service	248,172.25	36,691.32	42,847.97	27,459.09	4,192.39	-	-	359,363.02
Designated for:								
Employees								
Capital Improvements	1,116.41	-	-	-	-	-	-	1,116.41
Undesignated	1,329,550.89	375,708.00	2,342,538.78	(94,243.44)	171,606.00	222,569.84	48,157.20	3,727,294.45
<b>Total Fund Balances</b>	<b>1,578,839.55</b>	<b>496,853.89</b>	<b>7,283,310.75</b>	<b>(66,784.55)</b>	<b>12,687.08</b>	<b>222,569.84</b>	<b>48,157.20</b>	<b>9,575,433.96</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>2,149,983.90</b>	<b>893,552.01</b>	<b>7,360,503.10</b>	<b>32,793.16</b>	<b>81,139.17</b>	<b>222,569.84</b>	<b>48,157.20</b>	<b>10,788,498.38</b>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  
 Receivables not collected within sixty days of the year end are not current financial resources and, therefore, are not reported in the funds.  
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.  
 Internal service fund is used by management to change the costs of certain activities to individual funds. The liabilities of the internal service fund are included in the governmental activities in the statement of net assets.

Net assets of governmental activities

80,883,655.79  
 142,949.54  
 (21,867,883.74)  
 (103,947.55)  
 \$ 68,650,208.00

See accompanying notes to the financial statements.

CITY OF ROLLA  
ROLLA, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General	Street	Recreation Centre	Park	Airport	Cemetery	Park Land Reserve	Total
<b>REVENUES:</b>								
Taxes and franchise fees	\$ 7,050,659.38	\$ 4,202,366.08	\$ 1,810,604.85	\$ 209,149.89	\$ -	\$ -	\$ -	\$ 13,272,780.20
Licenses, permits & fees	156,462.90	-	-	89,336.96	-	-	-	245,799.86
Intergovernmental	576,784.90	105,744.58	8,098.29	5,599.73	9,703.22	-	-	705,930.72
Fuel sales	-	-	-	-	235,528.45	-	-	235,528.45
Fines and forfeits	182,999.82	-	-	-	-	-	-	182,999.82
Rent income	19,893.00	-	-	9,600.00	38,173.00	-	-	67,668.00
Charges for services	137,954.92	115,449.66	1,304,217.17	2,520.00	-	-	-	1,560,141.75
Interest	59,421.80	40,910.80	234,385.07	2.21	4.88	9,777.80	531.91	345,034.47
Miscellaneous	82,430.86	5,583.22	-	1,464.05	-	12,600.00	6,887.00	108,965.13
<b>Total Revenues</b>	<b>8,266,609.58</b>	<b>4,470,054.34</b>	<b>3,357,305.38</b>	<b>317,672.84</b>	<b>283,409.55</b>	<b>22,377.80</b>	<b>7,418.91</b>	<b>16,724,848.40</b>
<b>EXPENDITURES:</b>								
General government	5,109,682.51	-	-	-	-	-	-	5,109,682.51
Public safety	4,402,315.35	-	-	-	-	-	-	4,402,315.35
Highways and streets	-	5,473,834.21	-	-	-	-	-	5,473,834.21
Recreation	-	-	3,014,624.42	-	-	-	-	3,014,624.42
Airport	-	-	-	-	414,608.71	-	-	414,608.71
Cemetery	-	-	-	-	-	-	-	-
Park	-	-	-	744,955.06	-	-	-	744,955.06
<b>Total Expenditures</b>	<b>9,511,997.86</b>	<b>5,473,834.21</b>	<b>3,014,624.42</b>	<b>744,955.06</b>	<b>414,608.71</b>	<b>-</b>	<b>-</b>	<b>19,160,020.26</b>
Excess (deficiency) of Revenues	(1,245,388.28)	(1,003,779.87)	342,680.96	(427,282.22)	(131,199.16)	22,377.80	7,418.91	(2,435,171.86)
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	1,175,323.43	334,919.99	-	402,288.23	75,000.00	-	40,738.29	2,028,269.94
Operating transfers out	(470,000.00)	(473,750.00)	(592,160.29)	(123,008.11)	(162,629.18)	(7,288.23)	-	(1,828,835.81)
Proceeds from debt	-	93,251.40	-	32,120.00	-	-	-	125,371.40
<b>Total Other Financing Sources (Uses)</b>	<b>705,323.43</b>	<b>(45,578.61)</b>	<b>(592,160.29)</b>	<b>311,400.12</b>	<b>(87,629.18)</b>	<b>(7,288.23)</b>	<b>40,738.29</b>	<b>324,805.53</b>
Excess (deficiency) of Revenue and Other Sources Over Expenditures and Other Uses	(540,064.85)	(1,049,358.48)	(249,479.33)	(115,882.10)	(218,828.34)	15,089.57	48,157.20	(2,110,366.33)
Fund Balance - beginning of year	2,098,346.84	1,453,955.18	7,532,790.08	49,097.75	231,515.42	207,280.27	-	11,572,985.54
Prior period adjustment	20,557.56	92,257.19	-	-	-	-	-	112,814.75
Fund Balance - beginning of year, as restated	2,118,904.40	1,546,212.37	7,532,790.08	49,097.75	231,515.42	207,280.27	-	11,685,800.29
Fund Balance - end of year	\$ 1,578,839.55	\$ 496,853.89	\$ 7,283,310.75	\$ (66,784.35)	\$ 12,687.08	\$ 222,369.84	\$ 48,157.20	\$ 9,575,433.96

See accompanying notes to the financial statements.

CITY OF ROLLA  
ROLLA, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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

Net change in fund balances - total governmental funds \$ (2,110,366.33)

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense. This is the amount by which  
capital outlays exceeded depreciation in the current period. 2,578,383.96

The net effect of various miscellaneous transactions involving capital assets  
(i.e., sales, trade-ins, and donations) is to increase net assets.

Revenues in the statement of activities that do not provide current financial resources  
are not reported as revenues in the funds. 51,988.32

Some expenses reported in the Statement of Activities do not require the use of current  
financial resources and therefore are not reported as expenditures in governmental funds.  
These activities consist of compensated absences. (75,490.35)

The issuance of long-term debt (e.g., bonds, leases) provides current financial  
resources to governmental funds, while the repayment of the principal of long-term  
debt consumes the current financial resources of governmental funds. Neither  
transaction, however, has any effect on net assets. Also, governmental funds  
report the effect of issuance costs, premiums, discounts, and similar items when  
debt is first issued, whereas these amounts are deferred and amortized in the  
statements of activities. This amount is the net effect of these differences in the  
treatment of long-term debt and related items. 1,329,711.33

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. 48,738.17

Change in net assets of governmental activities \$ 1,822,965.10

See accompanying notes to the financial statements.

CITY OF ROLLA  
ROLLA, MISSOURI

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2006

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Sanitation	Sewer	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 385,195.40	\$ 298,417.63	\$ 683,613.03	\$ -
Certificates of Deposit	1,000,000.00	-	1,000,000.00	-
Accounts Receivable, net	201,935.65	248,279.61	450,215.26	3,748.22
Interest Receivable	9,472.61	44,377.87	53,850.48	-
Prepaid expenses	47,686.18	22,834.31	70,520.49	-
Total Current Assets	1,644,289.84	613,909.42	2,258,199.26	3,748.22
Noncurrent assets:				
Restricted cash and cash equivalents:				
Cash and Cash Equivalents	-	525,215.32	525,215.32	-
Investments	-	3,291,289.20	3,291,289.20	-
Total restricted assets	-	3,816,504.52	3,816,504.52	-
Deferred Charges	-	62,689.76	62,689.76	-
Capital assets:				
Land	670,663.32	9,827.70	680,491.02	-
Property, plant and equipment				
Less accumulated depreciation	1,252,241.03	19,523,476.11	20,775,717.14	-
Total capital assets, net	1,922,904.35	19,533,303.81	21,456,208.16	-
Total noncurrent assets	1,922,904.35	23,412,498.09	25,335,402.44	-
<b>TOTAL ASSETS</b>	<b>3,567,194.19</b>	<b>24,026,407.51</b>	<b>27,593,601.70</b>	<b>3,748.22</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	78,288.57	58,065.72	136,354.29	103,947.55
Payroll taxes payable	6,913.61	3,760.86	10,674.47	-
Accrued wages payable	11,347.24	5,401.69	16,748.93	-
Deferred revenue	1,088.42	-	1,088.42	-
Total current liabilities	97,637.84	67,228.27	164,866.11	103,947.55
Payable from restricted assets:				
Payable to other governments	-	3,181,745.56	3,181,745.56	-
Accrued interest	-	61,753.16	61,753.16	-
Capital leases payable	-	60,856.05	60,856.05	-
Bonds payable	-	230,000.00	230,000.00	-
Noncurrent liabilities:				
Compensated absences	74,311.45	28,613.03	102,924.48	-
Bonds payable	-	4,219,000.00	4,219,000.00	-
Capital leases payable	-	77,572.77	77,572.77	-
Total liabilities	171,949.29	7,926,768.84	8,098,718.13	103,947.55
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,922,904.35	15,008,564.75	16,931,469.10	-
Restricted for debt service	-	573,005.80	573,005.80	-
Unrestricted (deficit)	1,472,340.55	518,068.12	1,990,408.67	(100,199.33)
Total net assets	3,395,244.90	16,099,638.67	19,494,883.57	(100,199.33)
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,567,194.19</b>	<b>\$ 24,026,407.51</b>	<b>\$ 27,593,601.70</b>	<b>\$ 3,748.22</b>

See accompanying notes to the financial statements.

CITY OF ROLLA  
ROLLA, MISSOURI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Sanitation	Sewer	Total	Internal Service Fund
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 2,728,780.06	\$ -	\$ 2,728,780.06	\$ -
Charges for services pledged as security for revenue bonds:				
Sewer	-	1,736,588.46	1,736,588.46	-
Charges to other departments	-	-	-	1,299,973.21
Contributions - employees	-	-	-	406,042.73
Total operating revenues	<u>2,728,780.06</u>	<u>1,736,588.46</u>	<u>4,465,368.52</u>	<u>1,706,015.94</u>
<b>OPERATING EXPENSES:</b>				
Cost of Services	196,202.82	346,598.49	542,801.31	-
Personnel services	1,029,106.32	507,265.22	1,536,371.54	-
Insurance claims and expenses	-	-	-	1,657,277.77
Materials and Supplies	152,309.20	77,051.16	229,360.36	-
Contractual and Other Services	713,304.24	35,491.61	748,795.85	-
Depreciation and Amortization	184,667.41	470,882.66	655,550.07	-
Total operating expenses	<u>2,275,589.99</u>	<u>1,437,289.14</u>	<u>3,712,879.13</u>	<u>1,657,277.77</u>
Operating income	453,190.07	299,299.32	752,489.39	48,738.17
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	45,441.40	232,813.49	278,254.89	-
Proceeds from grants	5,833.33	-	5,833.33	-
Other revenue	-	528.06	528.06	-
Interest expense and fiscal charges	-	(261,607.55)	(261,607.55)	-
Gain (loss) on sale of capital assets	-	(19,159.13)	(19,159.13)	-
Total nonoperating revenues (expenses)	<u>51,274.73</u>	<u>(47,425.13)</u>	<u>3,849.60</u>	<u>-</u>
Income before contributions and transfers	504,464.80	251,874.19	756,338.99	48,738.17
Capital contributions	12,338.63	134,400.00	146,738.63	-
Operating transfers in	141,765.87	-	141,765.87	-
Operating transfers out	(200,000.00)	(141,200.00)	(341,200.00)	-
Change in net assets	458,569.30	245,074.19	703,643.49	48,738.17
Total net assets - beginning	2,870,013.53	15,946,568.77	18,816,582.30	(148,937.50)
Prior period adjustment	66,662.07	(92,004.29)	(25,342.22)	-
Total net assets - beginning, as restated	<u>2,936,675.60</u>	<u>15,854,564.48</u>	<u>18,791,240.08</u>	<u>(148,937.50)</u>
Total net assets - ending	<u>\$ 3,395,244.90</u>	<u>\$ 16,099,638.67</u>	<u>\$ 19,494,883.57</u>	<u>\$ (100,199.33)</u>

See accompanying notes to the financial statements.



CITY OF ROLLA  
ROLLA, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Sanitation	Sewer	Total	Internal Service Fund
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers and users	\$ 2,703,494.83	\$ 1,751,984.85	\$ 4,455,479.68	\$ 1,703,092.72
Payments to suppliers	(1,048,078.87)	(495,515.03)	(1,543,593.90)	(1,676,632.72)
Payments to employees	(1,005,300.02)	(488,129.22)	(1,493,429.24)	-
Net Cash Provided (Used) by Operating Activities	650,115.94	768,340.60	1,418,456.54	26,460.00
<b>Cash Flows from Noncapital Financing Activities:</b>				
Proceeds from grant	5,833.33	-	5,833.33	-
Other revenue	-	528.06	528.06	-
Operating transfers from other funds	141,765.87	-	141,765.87	(26,460.00)
Operating transfers to other funds	(200,000.00)	(141,200.00)	(341,200.00)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(52,400.80)	(140,671.94)	(193,072.74)	(26,460.00)
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and Construction of Capital Assets				
Principal repayments	(766,664.53)	(784,020.18)	(1,550,684.71)	-
Proceeds from Lease	-	(220,000.00)	(220,000.00)	-
Lease Payments	-	107,509.91	107,509.91	-
Interest Paid and Fiscal Charges	-	(34,663.10)	(34,663.10)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(766,664.53)	(1,195,061.47)	(1,961,726.00)	-
<b>Cash Flows from Investing Activities:</b>				
Receipts of interest	41,850.79	188,435.62	230,286.41	-
Purchase of investments	-	(165,526.86)	(165,526.86)	-
Proceeds from certificates of deposit	700,000.00	-	700,000.00	-
Purchase of certificates of deposit	(1,000,000.00)	-	(1,000,000.00)	-
Net Cash Provided (Used) by Investing Activities	(258,149.21)	22,908.76	(235,240.45)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(427,098.60)	(544,484.05)	(971,582.65)	-
Cash & Cash Equivalents at Beginning of Year	812,294.00	1,368,117.00	2,180,411.00	-
Cash & Cash Equivalents at End of Year	\$ 385,195.40	\$ 823,632.95	\$ 1,208,828.35	\$ -
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
Capital assets contributed by developers		134,400.00	134,400.00	

See accompanying notes to the financial statements.

CITY OF ROLLA  
 ROLLA, MISSOURI  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Sanitation	Sewer	Total	Internal Service Fund
Reconciling of operating income to net cash provided (used) by operating activities:				
Operating Income (Loss)	\$ 453,190.07	\$ 299,299.32	\$ 752,489.39	\$ 48,738.17
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	184,667.41	475,525.90	660,193.31	-
(Increase) Decrease in:	(26,373.65)	15,396.39	(10,977.26)	(2,922.72)
Accounts receivable-net	(9,622.18)	(1,645.31)	(11,267.49)	-
Prepaid expenses				
Increase (Decrease) in:	26,111.57	(27,793.28)	(1,681.71)	(19,355.45)
Accounts Payable	6,913.61	3,760.86	10,674.47	-
Payroll taxes payable	11,347.24	5,401.69	16,748.93	-
Accrued wages	1,088.42	-	1,088.42	-
Deferred revenue	2,793.45	(1,604.97)	1,188.48	-
Compensated absences	196,925.87	469,041.28	665,967.15	(22,278.17)
Total Adjustments				
Net Cash Provided (Used) by Operating Activities	\$ 650,115.94	\$ 768,340.60	\$ 1,418,456.54	\$ 26,460.00

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

**A. General Statement**

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

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

**B. Financial Reporting Entity**

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

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

Rolla Municipal Utilities was established by City Ordinance in 1944. Rolla Municipal Utilities is operated by a Board of Public Works, the members of which are appointed by the Mayor and approved by the City Council. In accordance with GASB Statement 14, after consideration of the financial benefits and other criteria, Rolla Municipal Utilities has been included as a component unit in the City's reporting entity. Rolla Municipal Utilities' audited component unit financial statements for the year ended September 30, 2006, are available in their entirety at Rolla Municipal Utilities.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

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

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

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

**C. Basic Financial Statements – Government-Wide Statements**

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

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

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

**CITY OF ROLLA**  
ROLLA, MISSOURI

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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

**C. Basic Financial Statements – Government-Wide Statements** (Cont'd)

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

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

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

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

The following fund types are used by the City:

Governmental Fund Types:

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

General Fund

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

Street Fund

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

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

**Recreation Centre 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.

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

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

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

**Proprietary Fund Types:**

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

**Enterprise Funds**

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

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

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

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

**1. Accrual:**

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

**2. Modified Accrual:**

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

**E. Capital Assets**

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

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

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

In accordance with the provision of GASB 34, the City has elected to report infrastructure assets on a prospective basis only. Therefore, the infrastructure balance at September 30, 2006, represents additions from October 1, 2003 through the present.

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

**PRIMARY GOVERNMENT**

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

**ROLLA MUNICIPAL UTILITIES**

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



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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

**F. Materials Inventories**

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

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

**G. Deposits and Investments**

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

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

**H. Long-Term Obligations**

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

**I. Deferred Charges**

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

**J. Interfund Receivables and Payables**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

**K. Capitalized Interest**

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

**L. Prepaid Items**

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

**M. Estimates**

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

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

Cash paid during the year for:

Interest and Finance Charges	
Sewer Fund	\$ -0-
Sanitation Fund	263,888.10

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

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

**A. Primary Government**

**Budget Compliance**

Expenditures may not legally exceed budgeted appropriations at the fund level. The General Fund and Recreation Centre Fund are not in compliance with this requirement.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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**NOTE 3 - RETIREMENT PLANS:**

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

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

**B. 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 11.2% (general), 5.1% (police) and 16.9% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

**C. Annual Pension Cost**

For the year ended June 30, 2006, the political subdivision's annual pension cost of \$676,144 was equal to the required and actual contributions. The required contribution was determined as part of the February 29, 2004 and/or February 28, 2005 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit, and (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back one year for men and 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 a closed basis. The amortization period at February 28, 2006 was 15 years.

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/04	\$ 585,396	100%	\$ -0-
06/30/05	623,058	100%	-0-
06/30/06	676,144	100%	-0-

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

<b>Investment Type</b>	<b>Investment Maturity (in years)</b>				
	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1 to 5</b>	<b>6 to 10</b>	<b>More Than 10</b>
Certificates of Deposit	\$ 3,138,557.95	\$ 3,138,557.95	\$ -	\$ -	\$ -
Government and Agency Bonds	4,898,105.85	2,063.00	4,896,041.00	-	1.85
Guaranteed Investment Contracts	3,232,658.20	-	-	-	3,232,658.20
Fidelity Treasury Fund	58,629.15	58,629.15	-	-	-
<b>Total</b>	<b>\$ 11,327,951.15</b>	<b>\$ 3,199,250.10</b>	<b>\$ 4,896,041.00</b>	<b>\$ -</b>	<b>\$ 3,232,660.05</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

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

Investment Type	Fair Value	Investment Maturity (in years)			More Than 10
		Less Than 1	1 to 5	6 to 10	
Certificates of Deposit	\$ 604,000	\$ 604,000	-	-	-
U.S. Treasury Bills	3,902,525	3,902,525	-	-	-
<b>Total</b>	<b>\$ 4,506,525</b>	<b>\$ 4,506,525</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

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

**Diversification by Financial Institution:**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

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

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

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

**NOTE 5 – LONG-TERM DEBT**

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

**PRIMARY GOVERNMENT**

**GOVERNMENTAL ACTIVITIES**

**CAPITAL LEASES PAYABLE**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**NOTE 5 – LONG-TERM DEBT:** (Cont'd)

Lease Purchase – Track Loader

On December 15, 2002, the City entered into a lease purchase agreement to finance the purchase of a track loader bearing an interest rate of 3.5% and maturing December 25, 2006. The following is a schedule of minimum payments over the remaining life of the lease:

	Principal	Interest	Total
2007	\$ 15,886.44	\$ 634.49	\$16,520.93
Total	\$ 15,886.44	\$ 634.49	\$16,520.93

Lease Purchase – Backhoe

On June 3, 2003, the City entered into a lease purchase agreement to finance the purchase of a backhoe bearing a 4.0% interest rate and maturing May 22, 2007. The following is a schedule of minimum lease payments over the remaining life of the lease.

	Principal	Interest	Total
2007	\$10,649.75	\$426.53	\$11,076.28
Total	\$10,649.75	\$426.53	\$11,076.28

Lease Purchase – Fire Truck

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

	Principal	Interest	Total
2007	\$75,544.46	\$10,054.46	\$85,598.92
2008	78,757.36	6,841.56	85,598.92
2009	82,106.91	3,492.01	85,598.92
Total	\$236,408.73	\$20,388.03	\$256,796.76

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**NOTE 5 – LONG-TERM DEBT** (Cont'd)

Lease Purchase – Backhoe/Boom Mower

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

	Principal	Interest	Total
2007	\$30,733.89	\$3,573.36	\$34,307.25
2008	31,881.62	2,425.63	34,307.25
2009	33,072.21	1,235.04	34,307.25
Total	\$95,687.72	\$7,234.03	\$102,921.75

Lease Purchase – Fuel Storage Tank

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

	Principal	Interest	Total
2007	\$21,247.00	\$7,754.06	\$29,001.06
2008	22,359.81	6,641.25	\$29,001.06
2009	23,568.15	5,432.91	\$29,001.06
2010	24,822.67	4,178.39	\$29,001.06
2011	26,143.96	2,857.10	\$29,001.06
2012	27,531.55	1,469.51	\$29,001.06
Total	\$145,673.14	\$28,333.22	\$174,006.36

Lease Purchase – Lawn Mower

On May 30, 2006, the City of Rolla entered into a Lease purchase agreement for an all-terrain lawn mower bearing an interest of 4.97% and maturing May 30, 2007. The following is a schedule of minimum lease payments over the remaining life of the lease:

	Principal	Interest	Total
2007	\$15,120.00	\$761.90	\$15,881.90
Total	\$15,120.00	\$761.90	\$15,881.90



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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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**NOTE 5 – LONG-TERM DEBT** (Cont'd)

Lease Purchase – Street Sweeper

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$22,271.02	\$3,489.93	\$25,760.95
2008	23,109.27	2,651.68	25,760.95
2009	24,070.62	1,690.33	25,760.95
2010	16,562.41	689.00	17,251.41
Total	<u>\$86,013.32</u>	<u>\$8,520.94</u>	<u>\$94,534.26</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**NOTE 5 – LONG-TERM DEBT** (Cont'd)

Series 2005 Capital Lease Agreement

On March 2, 3006, the City of Rolla entered into a lease purchase agreement. The proceeds were used to finance City Hall renovations. Principal and interest payments are being made semi-annually starting October 1, 2005 and ending April 1, 2025. The following is a schedule of minimum lease payments over the remaining life of the lease:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$84,502.06	\$103,119.02	\$187,621.08
2008	88,174.71	99,446.37	187,621.08
2009	92,006.98	95,614.10	187,621.08
2010	96,005.81	91,615.27	187,621.08
2011	100,178.44	87,442.64	187,621.08
2012-2016	570,112.09	367,993.30	938,105.39
2017-2021	705,251.40	232,854.00	938,105.40
2022-2025	682,786.13	67,698.19	750,484.32
Total	<u>\$2,419,017.62</u>	<u>\$1,145,782.89</u>	<u>\$3,564,800.51</u>

LOAN

DNR Loan Payable

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$1,251.67	\$177.33	\$1,429.00
2008	1,292.05	136.95	1,429.00
2009	1,333.72	95.28	1,429.00
2010	1,376.75	52.25	1,429.00
2011	597.68	9.57	607.25
Total	<u>\$5,851.87</u>	<u>\$471.38</u>	<u>\$6,323.25</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**NOTE 5 – LONG-TERM DEBT** (Cont'd)

**GENERAL OBLIGATION BONDS**

Series 1999 G.O. Bond

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

Year Ended September 30,	Principal	Interest	Total
2007	\$ 750,000.00	\$ 356,037.50	\$1,106,037.50
2008	800,000.00	318,537.50	1,118,537.50
2009	825,000.00	278,618.75	1,103,618.75
2010	875,000.00	236,106.25	1,111,106.25
2011	925,000.00	189,962.50	1,114,962.50
2012	975,000.00	140,075.00	1,115,075.00
2013	1,025,000.00	86,818.75	1,111,818.75
2014	1,100,000.00	29,700.00	1,129,700.00
	<u>\$7,275,000.00</u>	<u>\$ 1,635,856.25</u>	<u>\$8,910,856.25</u>

Series 2004 G.O. Bond

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

Year Ended September 30,	Principal	Interest	Total
2007	\$200,000.00	\$133,640.00	\$333,640.00
2008	200,000.00	129,640.00	329,640.00
2009	200,000.00	125,640.00	325,640.00
2010	1,250,000.00	102,740.00	1,352,740.00
2011	1,300,000.00	106,040.00	1,406,040.00
2012	1,330,000.00	37,240.00	1,367,240.00
	<u>\$4,480,000.00</u>	<u>\$634,940.00</u>	<u>\$5,114,940.00</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**NOTE 5 – LONG-TERM DEBT** (Cont'd)

Series 2004B G.O. Bond

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

Year Ended September 30,	Principal	Interest	Total
2007	\$350,000.00	\$238,656.26	\$588,656.26
2008	355,000.00	228,518.76	583,518.76
2009	385,000.00	216,937.51	601,937.51
2010	400,000.00	203,681.26	603,681.26
2011	440,000.00	188,431.26	628,431.26
2012-2016	2,505,000.00	664,306.30	3,169,306.30
2017-2019	1,885,000.00	126,021.89	2,011,021.89
	<u>\$6,320,000.00</u>	<u>\$1,866,553.24</u>	<u>\$8,186,553.24</u>

**BUSINESS TYPE ACTIVITIES**

Sewer Fund

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

CAPITAL LEASES PAYABLE

Lease Purchase – Sludge Truck

The City entered into a lease purchase agreement during the year ended September 30, 2003 to finance the purchase of a sludge truck bearing an interest rate of 4.0% and maturing May 22, 2007. The following is a schedule of minimum lease payments over the remaining life of the lease:

	Principal	Interest	Total
2007	\$ 37,154.91	\$ 1,512.22	\$38,667.13
Total	<u>\$ 37,154.91</u>	<u>\$ 1,512.22</u>	<u>\$38,667.13</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**NOTE 5 – LONG-TERM DEBT** (Cont'd)

Lease Purchase – Backhoe Loader

On June 7, 2006, the City of Rolla extended a master lease dated May 24, 2010 for the purchase of a John Deere backhoe bearing an interest rate of 4.16% and maturing March 15, 2010. The following is a schedule of minimum lease payments over the remaining life of the Lease:

	Principal	Interest	Total
2007	\$10,703.08	\$1,546.04	\$12,249.12
2008	11,109.25	1,139.87	\$12,249.12
2009	11,571.39	677.73	\$12,249.12
2010	4,720.19	196.36	4,916.55
Total	\$38,103.91	\$3,560.00	\$41,663.91

Lease Purchase – Backhoe

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

	Principal	Interest	Total
2007	\$12,998.06	\$875.95	\$13,874.01
2008	11,786.88	2,087.13	13,874.01
2009	12,277.21	1,596.80	13,874.01
2010	12,787.94	1,086.08	13,874.01
2011	13,319.91	554.09	13,874.01
Total	\$63,170.00	\$6,200.05	\$69,370.05

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**NOTE 5 – LONG-TERM DEBT** (Cont'd)

**REVENUE BONDS**

**1996E Wastewater System Revenue Bonds:**

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

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$30,000.00	\$21,254.50	\$51,254.50
2008	30,000.00	19,604.50	49,604.50
2009	30,000.00	18,104.50	48,104.50
2010	35,000.00	16,444.50	51,444.50
2011	35,000.00	14,607.00	49,607.00
2012-2016	209,000.00	41,617.25	250,617.25
2017	50,000.00	1,312.50	51,312.50
	<u>\$419,000.00</u>	<u>\$132,944.75</u>	<u>\$551,944.75</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**NOTE 5 – LONG-TERM DEBT** (Cont'd)

2000A Wastewater System Revenue Bonds:

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

Year Ended September 30,	Principal	Interest	Total
2007	\$ 200,000.00	\$ 218,873.76	\$ 418,873.76
2008	210,000.00	208,873.76	418,873.76
2009	225,000.00	198,373.76	423,373.76
2010	235,000.00	186,898.76	421,898.76
2011	245,000.00	174,913.76	419,913.76
2012-2016	1,445,000.00	663,670.00	2,108,670.00
2017-2020	1,470,000.00	213,392.50	1,683,392.50
	<u>\$ 4,030,000.00</u>	<u>\$ 1,864,996.30</u>	<u>\$ 5,894,996.30</u>

COMPONENT UNIT

Rolla Municipal Utilities entered into a lease purchase agreement during the year ended September 30, 2001 to purchase electrical generation equipment. The lease agreement calls for varying quarterly principal payments through 2010 with interest at 5.30%. Current maturity of lease principal is \$660,000.

Rolla Municipal Utilities entered into a lease purchase agreement during the year ended September 30, 2005 for construction of water towers and other improvements. The lease agreement calls for varying semi-annual principal payments through 2023 with interest at 3.55%. Current maturity of lease principal is \$90,000.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**NOTE 5 – LONG-TERM DEBT** (Cont'd)

COMPONENT UNIT (Cont'd)

The annual requirements to amortize capital leases payable outstanding as of September 30, 2006 are as follows:

**Generation Project**

Year Ending September 30,	Principal	Net Interest	Total
2007	\$ 660,000.00	\$ 154,339.63	\$ 814,339.63
2008	700,000.00	111,760.86	811,760.86
2009	740,000.00	66,623.96	806,623.96
2010	590,000.00	18,698.23	608,698.23
Total	<u>\$ 2,690,000.00</u>	<u>\$ 351,422.68</u>	<u>\$3,041,422.68</u>

**Water Towers**

Year Ending September 30,	Principal	Net Interest	Total
2007	\$ 90,000.00	\$ 96,688.05	\$ 186,688.05
2008	95,000.00	92,945.73	187,945.73
2009	100,000.00	88,346.07	188,346.07
2010	100,000.00	84,000.49	184,000.49
2011	110,000.00	79,300.77	189,300.77
2012-2016	615,000.00	313,100.26	928,100.26
2017-2021	760,000.00	165,548.35	925,548.35
2022-2023	365,000.00	15,350.12	380,350.12
Total	<u>\$ 2,235,000.00</u>	<u>\$ 935,279.84</u>	<u>\$ 3,170,279.84</u>



**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**NOTE 5 – LONG-TERM DEBT** (Cont'd)

**Changes in Long-Term Debt**

The following tables are a summary of the changes in the long-term debt for the year ended September 30, 2006:

**Governmental Activities:**

	Balance September 30, 2005	New Obligations	Retired	Balance September 30, 2006	Amounts Due Within One Year
G.O. Bonds Payable	\$ 19,340,000.00	\$ -	\$ 1,265,000.00	\$ 18,075,000.00	\$1,290,000.00
DNR Energy Loan	7,064.43	-	1,212.56	5,851.87	1,251.67
Capital Leases Payable	3,138,007.71	125,371.40	238,922.39	3,024,456.72	275,954.62
Compensated Absences	562,983.00	75,490.35	-	638,473.35	-
	<u>\$ 23,048,055.14</u>	<u>\$ 200,861.75</u>	<u>\$ 1,505,134.95</u>	<u>\$ 21,743,781.94</u>	<u>\$1,567,206.29</u>

**Business – Type Activities**

	Balance September 30, 2005	New Obligations	Retired	Balance September 30, 2006	Amounts Due Within One Year
1996 E Revenue bonds payable	\$ 444,000.00	\$ -	\$ 25,000.00	\$ 419,000.00	\$ 30,000.00
2000A Revenue bonds payable	4,225,000.00	-	195,000.00	4,030,000.00	200,000.00
Capital leases payable	65,582.00	107,509.91	34,663.09	138,428.82	60,856.05
Compensated absences payable	101,736.00	1,188.48	-	102,924.48	-
	<u>\$ 4,836,318.00</u>	<u>\$ 108,698.39</u>	<u>\$ 254,663.09</u>	<u>\$ 4,690,353.30</u>	<u>\$ 290,856.05</u>

**Component Unit**

	Balance September 30, 2005	New Obligations	Retired	Balance September 30, 2006	Amounts Due Within One Year
Capital Leases Payable	\$5,635,000.00	\$ -	\$710,000.00	\$4,925,000.00	\$750,000.00
Compensated absences payable	103,147.00	30,899.00	-	134,046.00	-
Total	<u>\$5,738,147.00</u>	<u>\$ 30,899.00</u>	<u>\$710,000.00</u>	<u>\$5,059,046.00</u>	<u>\$750,000.00</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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**NOTE 6 - FUND EQUITY:**

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

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

**NOTE 7 – COMPENSATED ABSENCES:**

**Primary Government**

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

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

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

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, 2006 was \$638,473.35 for governmental activities and \$102,924.48 for business-type activities.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

**Component Unit**

Annual vacation leave is earned by all full-time employees. Upon termination, employees are entitled to receive compensation for unused accrued vacation leave up to a maximum of 240 hours. Liabilities for compensated absences are determined at the end of the year based on current salary Rates. Rolla Municipal Utilities' compensated absences payable at September 30, 2006 was \$134,046.

**NOTE 8 - ACCOUNTS RECEIVABLE:**

	Sanitation Fund	<u>Proprietary Funds</u> Sewer Fund	Total
Accounts Receivable	\$ 202,935.65	\$ 254,479.61	\$ 457,415.26
Less Allowance for Doubtful Accounts	<u>(1,000.00)</u>	<u>(6,200.00)</u>	<u>(7,200.00)</u>
	<u>\$ 201,935.65</u>	<u>\$ 248,279.61</u>	<u>\$ 450,215.26</u>

	General Fund	Street Fund	Park Fund	Total
Accounts Receivable	\$ 240,530.18	\$ 27,448.37	\$ 8.00	\$ 267,986.55
Less Allowance for Doubtful Accounts	<u>(103,901.06)</u>	<u>-</u>	<u>-</u>	<u>(103,901.06)</u>
	<u>\$ 136,629.12</u>	<u>\$ 27,448.37</u>	<u>\$ 8.00</u>	<u>\$ 164,085.49</u>

	General Fund	Street Fund	<u>Governmental Funds</u> Park Fund	Recreation Fund	Total
Taxes Receivable	\$ 964,079.67	\$ 523,234.12	\$ 5,129.34	\$ 220,998.86	\$ 1,713,441.99
Less Allowance for Uncollectible Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 964,079.67</u>	<u>\$ 523,234.12</u>	<u>\$ 5,129.34</u>	<u>\$ 220,998.86</u>	<u>\$ 1,713,441.99</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

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

The assessed valuation of the tangible taxable property for the calendar year 2005 was:

Real Estate	<u>\$120,285,600</u>
TOTAL ASSESSMENT.....	<u>\$120,285,600</u>

The tax levy per \$100 assessed valuation of tangible taxable property for the calendar year 2005 was:

General Fund	\$ .6745
Public Library	.2818
Park Fund	<u>.1712</u>
TOTAL LEVY.....	<u>\$1.1275</u>

The receipts of current taxes for the year ended September 30, 2006, aggregate approximately 100 percent of the current assessment computed on the basis of the total levy shown above.

The legal debt margin at September 30, 2006, was computed as follows:

	GENERAL OBLIGATION BONDS		
	ORDINARY(1)	ADDITIONAL(2)	TOTAL
Constitutional debt limit	\$12,028,560	\$12,028,560	\$24,057,120
General obligation bonds			
Outstanding	(16,926,670)	(1,148,330)	(18,075,000)
Plus amount available to			
Service debt of Crossover			
Refunded Debt	<u>4,898,110</u>	<u>-0-</u>	<u>4,898,110</u>
Legal Debt Margin	<u>\$ -0-</u>	<u>\$10,880,230</u>	<u>\$10,880,230</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

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

**NOTE 10 - RISK MANAGEMENT:**

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

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

Interfund balances at September 30, 2006, consist of the following:

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund	\$ 108,293.87	\$ -0-
Park Fund	-0-	77,720.10
Airport Fund	-0-	30,573.77
	<u>\$ 108,293.87</u>	<u>\$ 108,293.87</u>
	<u>Transfer From Other Funds</u>	<u>Transfer To Other Funds</u>
General Fund	\$ 1,175,323.43	\$ 470,000.00
Street Fund	334,919.99	473,750.00
Recreation Fund	-0-	592,160.29
Park Fund	402,288.23	123,008.11
Airport Fund	75,000.00	162,629.18
Cemetery Fund	-0-	7,288.23
Parkland Reserve Fund	40,738.29	-0-
Sewer Fund	-0-	141,200.00
Sanitation Fund	141,765.87	200,000.00
	<u>\$ 2,170,035.81</u>	<u>\$ 2,170,035.81</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

Litigation

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

Landfill Closing Obligation

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

Construction Contracts

The City has various projects in progress with significant balances remaining on the contracts at September 30, 2006.

Commitment Summary

A summary of the commitments as of September 30, 2006 is as follows:

<u>Project Description</u>	<u>Fund</u>	<u>Commitment</u>	<u>Contract</u>
Landfill Closing Obligation	General	\$ 173,537	Guarantee
Curb and Gutter	Street	47,148	Construction
Asphalt Overlay	Street	215,202	Construction
Street Improvements Phase II	Street	35,114	Construction
Airport Lighting	Airport	171,606	Construction
Flood Mitigation	Street	78,244	Engineering

**CITY OF ROLLA**  
Rolla, Missouri

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended September 30, 2006

**NOTE 13 - CAPITAL ASSETS:**

Property, plant and equipment and accumulated depreciation by major class are as follows at September 30, 2006:

Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Construction in Progress	\$ -	\$ 100,000	\$ -	\$ 100,000
Land	10,150,757	703,583	102,511	10,751,829
Total capital assets not being depreciated	<u>10,150,757</u>	<u>803,583</u>	<u>102,511</u>	<u>10,851,829</u>
Capital assets, being depreciated:				
Buildings & improvements	21,792,611	833,312	33,998	22,591,925
Machinery & equipment	7,057,911	734,177	509,401	7,282,687
Infrastructure	61,677,615	4,205,250	-	65,882,865
Total capital assets being depreciated	<u>90,528,137</u>	<u>5,772,739</u>	<u>543,399</u>	<u>95,757,477</u>
Less accumulated depreciation:				
Buildings & improvements	4,148,779	849,967	55,323	4,943,423
Machinery & equipment	3,720,614	634,526	210,460	4,144,680
Infrastructure	14,778,581	1,858,966	-	16,637,547
Total accumulated depreciation	<u>22,647,974</u>	<u>3,343,459</u>	<u>265,783</u>	<u>25,725,650</u>
Total capital assets, being depreciated, net	<u>67,880,163</u>	<u>2,429,280</u>	<u>277,616</u>	<u>70,031,827</u>
Total governmental activities capital assets, net	<u>\$ 78,030,920</u>	<u>\$ 3,232,863</u>	<u>\$ 380,127</u>	<u>\$ 80,883,656</u>

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

General administration	\$ 215,407
Public safety	350,455
Parks	164,209
Airport	173,531
Public works	1,947,977
Recreation	438,029
Prior period adjustment	53,851
	<u>\$ 3,343,459</u>

**CITY OF ROLLA**  
Rolla, Missouri

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended September 30, 2006

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

Business-Type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ -	\$ 680,491	\$ -	\$ 680,491
Capital assets, being depreciated:				
Buildings & improvements	1,329,027	13,335	3,052	1,339,310
Machinery & equipment	3,752,707	389,409	154,072	3,988,044
Sewer collection system	24,696,159	764,294	123,407	25,337,046
Total capital assets being depreciated	29,777,893	1,167,038	280,531	30,664,400
Less accumulated depreciation:				
Buildings & improvements	1,028,044	22,921	-	1,050,965
Machinery & equipment	2,391,405	254,766	134,886	2,511,285
Sewer collection system	5,963,642	381,077	18,286	6,326,433
Total accumulated depreciation	9,383,091	658,764	153,172	9,888,683
Total capital assets, being depreciated, net	20,394,802	508,274	127,359	20,775,717
Business-type activities capital assets, net	\$ 20,394,802	\$ 1,188,765	\$ 127,359	\$ 21,456,208

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

Sewer	\$ 470,883
Sewer-prior period adjustment	843
Sanitation	184,667
Sanitation-prior period adjustment	2,371
	\$ 658,764

The following schedule reflects fixed assets under capital lease.

Governmental Activities:		Business-type activities:	
Cost	\$ 3,629,641.98	Cost	\$ 297,141.40
Accumulated Depreciation	(504,055.84)	Accumulated Depreciation	(63,833.05)
Net Book Value	\$ 3,125,586.14	Net Book Value	\$ 233,308.35

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



**CITY OF ROLLA**  
Rolla, Missouri

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2006

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

Component Unit

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land and Easements	\$ 623,739	\$ 190,005	\$ -	\$ 813,744
Construction in Progress	92,662	-	-	92,662
	716,401	190,005	-	906,406
Total capital assets not being depreciated				
Capital assets, being depreciated:				
Buildings and Improvements	3,716,035	115,052	-	3,831,087
Office Furniture, Fixtures and Equipment	872,606	20,436	3,540	889,502
Transportation Equipment	1,164,384	85,084	35,736	1,213,732
Distribution System	29,449,471	2,380,132	266,911	31,562,692
Production System	7,864,661	-	-	7,864,661
	43,067,157	2,600,704	306,187	45,361,674
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings and Improvements	2,271,920	88,258	-	2,360,178
Office Furniture, Fixtures & Equipment	555,449	68,823	3,541	620,731
Transportation Equipment	898,825	122,997	35,736	986,086
Distribution System	14,353,813	962,363	132,399	15,183,777
Production System	1,935,687	382,664	-	2,318,351
	20,015,694	1,625,105	171,676	21,469,123
Total accumulated depreciation				
Total capital assets, being depreciated, net	23,051,463	975,599	134,511	23,892,551
Business-type activities capital assets, net	\$ 23,767,864	\$ 1,165,604	\$ 134,511	\$ 24,798,957

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

<b>Business-type Activities</b>	
Electric	\$ 770,274
Water	472,168
Power Production	382,663
Total depreciation - business-type activities	\$ 1,625,105

The following schedule reflects fixed assets under capital lease.

Cost	\$ 8,397,317
Accumulated Depreciation	(2,107,787)
Net Book Value	\$ 6,289,530

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

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

The City protects against catastrophic individual and aggregate loss by stop-loss insurance coverage carried through Majestic Life Investors. The specific excess loss insurance reimburses the City for loss amounts exceeding a specified limit per participant per year. Such limit was \$75,000 for the year ending September 30, 2006. Specific loss reimbursements for the year ended September 30, 2006 totaled \$69,481.74. The aggregate excess loss insurance reimburses the City for loss amounts.

Total claims paid ending September 30, 2006 were \$2,199,479.80. Of the claims paid \$644,945.07 were employee contributions made up of premiums withheld, deductibles and out-of-pocket expenses. The remaining \$1,554,534.73 were paid by the City.

	Claims Liability Beginning of Year	Incurred Claims	Claims Paid	Claims Liability End of Year
September 30, 2006	\$ 123,302.45	\$ 1,491,817.62	\$ 1,511,172.52	\$ 103,947.55
September 30, 2005	153,082.23	1,474,264.31	1,504,044.09	123,302.45

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**NOTE 15 – PRIOR PERIOD ADJUSTMENT:**

The following schedule summarizes the prior period adjustments:

<u>Fund Financial Statements</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Government-Wide Fund</u>
Motor Vehicle and Gas					
Tax Receivable	\$ (20,557.56)	\$ (92,257.19)	\$ -	\$ -	\$ -
Capital Assets	-	-	45,414.16	(69,033.32)	(320,195.54)
Accumulated Depreciation	-	-	(17,443.58)	2,371.25	45,843.86
Accrued Interest Payable	-	-	64,033.71	-	-
Capital Leases	-	-	-	-	(37,487.86)
Deferred Charges	-	-	-	-	(3,885.43)
Bond Payable Premium	-	-	-	-	111,640.01
Total	<u>\$ (20,557.56)</u>	<u>\$ (92,257.19)</u>	<u>\$ 92,004.29</u>	<u>\$ (66,662.07)</u>	<u>\$ (204,084.96)</u>

The motor vehicle and gas tax receivable adjustments are as a result of the City not recording this receivable on a modified accrual basis at September 30, 2005.

The capital asset and accumulated depreciation adjustments are as a result of errors discovered in the old software used by the City for the recording and reporting of capital assets.

The accrued interest payable adjustment is as a result of no accrual for interest on the debt in the Sewer Fund being recorded at September 30, 2005.

The Capital Leases adjustment is a result of the balances at September 30, 2005 not agreeing to the amortizations schedules. The Deferred Charges and Bond Payable Premium adjustments are a result of the September 30, 2005 balances not agreeing to the information in the bond agreements.

**NOTE 16 – RELATED ORGANIZATION**

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

**CITY OF ROLLA  
ROLLA, MISSOURI**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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**NOTE 17 – OTHER POST-EMPLOYMENT BENEFITS**

In addition to pension benefits, the City of Rolla provides certain health care benefits for retired employees through the City's self insured health insurance program described in more detail in Note 14. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. Currently, three City retirees are receiving benefits. The cost of retiree health care benefits is recognized as expense as paid. For the year ended September 30, 2006, those costs totaled approximately \$33,928.29 for the City. Provisions related to other post-employment benefits are established or amended by the City Council.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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**A. Budgets and Budgetary Accounting**

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

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

**B. Schedule of Funding Progress**

	(a)	(b)	(b-a)		(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
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	0%
02/28/06	12,466,726	12,317,046	(149,680)	101%	5,980,508	0%

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

CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes and franchise fees	\$ 6,378,800.00	\$ 6,679,300.00	\$ 7,050,659.38	\$ 371,359.38
Licenses, permits & fees	196,050.00	186,050.00	156,462.90	(29,587.10)
Intergovernmental	740,250.00	761,750.00	570,478.84	(191,271.16)
Fines and forfeits	215,000.00	215,000.00	182,999.82	(32,000.18)
Rent income	20,000.00	24,000.00	19,895.00	(4,105.00)
Charges for services	151,100.00	141,100.00	137,954.92	(3,145.08)
Interest	50,000.00	65,000.00	59,421.80	(5,578.20)
Miscellaneous	31,200.00	22,700.00	88,736.92	66,036.92
Total Revenues	<u>7,782,400.00</u>	<u>8,094,900.00</u>	<u>8,266,609.58</u>	<u>171,709.58</u>
<b>EXPENDITURES:</b>				
Current				
General government	4,235,087.00	4,937,587.00	5,109,682.51	(172,095.51)
Public Safety	4,482,668.00	4,492,568.00	4,402,315.35	90,252.65
Total Expenditures	<u>8,717,755.00</u>	<u>9,430,155.00</u>	<u>9,511,997.86</u>	<u>(81,842.86)</u>
Excess of Revenues Over (Under) Expenditures	(935,355.00)	(1,335,255.00)	(1,245,388.28)	89,866.72
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	912,950.00	912,950.00	1,175,323.43	262,373.43
Operating transfer out	(470,000.00)	(470,000.00)	(470,000.00)	-
Total Other Financing Sources (Uses)	<u>442,950.00</u>	<u>442,950.00</u>	<u>705,323.43</u>	<u>262,373.43</u>
Net Change in Fund Balance	<u>\$ (492,405.00)</u>	<u>\$ (892,305.00)</u>	(540,064.85)	<u>\$ 352,240.15</u>
Fund Balance - beginning of year			2,098,346.84	
Prior period adjustment			20,557.56	
Fund Balance - beginning of year, as restated			<u>2,118,904.40</u>	
Fund Balance - end of year			<u>\$ 1,578,839.55</u>	

CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - STREET FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>REVENUES:</b>				
Taxes and franchise fees	\$ 4,075,000.00	\$ 4,110,000.00	\$ 4,202,366.08	\$ 92,366.08
Licenses, permits & fees	86,000.00	86,000.00	-	(86,000.00)
Intergovernmental	486,348.00	486,348.00	105,744.58	(380,603.42)
Charges for services	100,000.00	100,000.00	115,449.66	15,449.66
Interest	5,000.00	41,000.00	40,910.80	(89.20)
Miscellaneous	22,000.00	22,000.00	5,583.22	(16,416.78)
Total Revenues	<u>4,774,348.00</u>	<u>4,845,348.00</u>	<u>4,470,054.34</u>	<u>(375,293.66)</u>
<b>EXPENDITURES:</b>				
General government				
Highways and streets	5,218,205.00	5,693,705.00	5,473,834.21	219,870.79
Total Expenditures	<u>5,218,205.00</u>	<u>5,693,705.00</u>	<u>5,473,834.21</u>	<u>219,870.79</u>
Excess Revenues Over (Under) Expenditures	(443,857.00)	(848,357.00)	(1,003,779.87)	(155,422.87)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	334,919.99	334,919.99
Operating transfers out	(473,750.00)	(473,750.00)	(473,750.00)	-
Proceeds from lease	-	-	93,251.40	93,251.40
Total Other Financing Sources (Uses)	<u>(473,750.00)</u>	<u>(473,750.00)</u>	<u>(45,578.61)</u>	<u>428,171.39</u>
Net Change in Fund Balance	<u>\$ (917,607.00)</u>	<u>\$ (1,322,107.00)</u>	(1,049,358.48)	<u>\$ 272,748.52</u>
Fund Balance - beginning of year			1,453,955.18	
Prior period adjustment			92,257.19	
Fund Balance - beginning of year, as restated			<u>1,546,212.37</u>	
Fund Balance - end of year			<u>\$ 496,853.89</u>	



CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - RECREATION CENTRE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes and franchise fees	\$ 1,800,000.00	\$ 1,812,500.00	\$ 1,810,604.85	\$ (1,895.15)
Intergovernmental	3,100.00	32,400.00	8,098.29	(24,301.71)
Charges for services	1,403,600.00	1,384,600.00	1,304,217.17	(80,382.83)
Interest	37,000.00	37,000.00	234,385.07	197,385.07
Miscellaneous	500.00	500.00	-	(500.00)
<b>Total Revenues</b>	<u>3,244,200.00</u>	<u>3,267,000.00</u>	<u>3,357,305.38</u>	<u>90,305.38</u>
<b>EXPENDITURES:</b>				
Recreation	2,859,550.00	2,990,180.00	3,014,624.42	(24,444.42)
<b>Total Expenditures</b>	<u>2,859,550.00</u>	<u>2,990,180.00</u>	<u>3,014,624.42</u>	<u>(24,444.42)</u>
Excess of Revenues Over (Under) Expenditures	384,650.00	276,820.00	342,680.96	65,860.96
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(98,000.00)	(98,000.00)	(592,160.29)	(494,160.29)
<b>Total Other Financing Sources (Uses)</b>	<u>(98,000.00)</u>	<u>(98,000.00)</u>	<u>(592,160.29)</u>	<u>(494,160.29)</u>
Net Change in Fund Balance	<u>\$ 286,650.00</u>	<u>\$ 178,820.00</u>	(249,479.33)	<u>\$ (428,299.33)</u>
Fund Balance - beginning of year			7,532,790.08	
Fund Balance - end of year			<u>\$ 7,283,310.75</u>	

CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - PARK FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes and franchise fees	\$ 207,500.00	\$ 210,700.00	\$ 209,149.89	\$ (1,550.11)
Licenses, permits & fees	100,400.00	90,400.00	89,336.96	(1,063.04)
Intergovernmental	2,500.00	7,500.00	5,599.73	(1,900.27)
Rent income	9,600.00	9,600.00	9,600.00	-
Charges for services	2,000.00	4,000.00	2,520.00	(1,480.00)
Interest	400.00	400.00	2.21	(397.79)
Miscellaneous	100.00	100.00	1,464.05	1,364.05
Total Revenues	<u>322,500.00</u>	<u>322,700.00</u>	<u>317,672.84</u>	<u>(5,027.16)</u>
<b>EXPENDITURES:</b>				
Park	695,150.00	758,450.00	744,955.06	13,494.94
Total Expenditures	<u>695,150.00</u>	<u>758,450.00</u>	<u>744,955.06</u>	<u>13,494.94</u>
Excess of Revenues Over (Under) Expenditures	(372,650.00)	(435,750.00)	(427,282.22)	8,467.78
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	395,000.00	395,000.00	402,288.23	7,288.23
Operating transfer out	-	-	(123,008.11)	(123,008.11)
Proceeds from debt	-	-	32,120.00	32,120.00
Total Other Financing Sources (Uses)	<u>395,000.00</u>	<u>395,000.00</u>	<u>311,400.12</u>	<u>(83,599.88)</u>
Net Change in Fund Balance	<u>\$ 22,350.00</u>	<u>\$ (40,750.00)</u>	(115,882.10)	<u>\$ (75,132.10)</u>
Fund Balance - beginning of year			49,097.75	
Fund Balance (deficit) - end of year			<u>\$ (66,784.35)</u>	

CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - AIRPORT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 300,500.00	\$ 400,500.00	\$ 9,703.22	\$ (390,796.78)
Fuel sales	205,000.00	225,000.00	235,528.45	10,528.45
Rent income	39,420.00	39,420.00	38,173.00	(1,247.00)
Interest	15.00	15.00	4.88	(10.12)
Miscellaneous	28,000.00	-	-	-
Total Revenues	<u>572,935.00</u>	<u>664,935.00</u>	<u>283,409.55</u>	<u>(381,525.45)</u>
<b>EXPENDITURES:</b>				
Airport	680,035.00	672,325.00	414,608.71	257,716.29
Total Expenditures	<u>680,035.00</u>	<u>672,325.00</u>	<u>414,608.71</u>	<u>257,716.29</u>
Excess of Revenues Over (Under) Expenditures	(107,100.00)	(7,390.00)	(131,199.16)	(123,809.16)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	75,000.00	75,000.00	75,000.00	-
Operating transfer out	-	-	(162,629.18)	(162,629.18)
Total Other Financing Sources (Uses)	<u>75,000.00</u>	<u>75,000.00</u>	<u>(87,629.18)</u>	<u>(162,629.18)</u>
Net Change in Fund Balance	<u>\$ (32,100.00)</u>	<u>\$ 67,610.00</u>	(218,828.34)	<u>\$ (286,438.34)</u>
Fund Balance - beginning of year			231,515.42	
Fund Balance - end of year			<u>\$ 12,687.08</u>	

CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - CEMETERY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Interest	\$ 3,750.00	\$ 8,000.00	\$ 9,777.80	\$ 1,777.80
Miscellaneous	5,000.00	5,000.00	12,600.00	7,600.00
<b>Total Revenues</b>	<u>8,750.00</u>	<u>13,000.00</u>	<u>22,377.80</u>	<u>9,377.80</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer out	-	(7,288.00)	(7,288.23)	(0.23)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(7,288.00)</u>	<u>(7,288.23)</u>	<u>(0.23)</u>
 <b>Net Change in Fund Balance</b>	<u>\$ 8,750.00</u>	<u>\$ 5,712.00</u>	15,089.57	<u>\$ 9,377.57</u>
 Fund Balance - beginning of year			<u>207,280.27</u>	
Fund Balance - end of year			<u>\$ 222,369.84</u>	

CITY OF ROLLA  
ROLLA, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - PARK LAND RESERVE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Interest	\$ 20,000.00	\$ 1,000.00	\$ 531.91	\$ (468.09)
Miscellaneous	1,010,000.00	15,000.00	6,887.00	(8,113.00)
Total Revenues	<u>1,030,000.00</u>	<u>16,000.00</u>	<u>7,418.91</u>	<u>(8,581.09)</u>
<b>EXPENDITURES:</b>				
Park	20,000.00	20,000.00	-	20,000.00
Total Expenditures	<u>20,000.00</u>	<u>20,000.00</u>	<u>-</u>	<u>20,000.00</u>
Excess of Revenues Over (Under) Expenditures	1,010,000.00	(4,000.00)	7,418.91	11,418.91
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	40,738.29	40,738.29
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>40,738.29</u>	<u>40,738.29</u>
Net Change in Fund Balance	<u>\$ 1,010,000.00</u>	<u>\$ (4,000.00)</u>	48,157.20	<u>\$ 52,157.20</u>
Fund Balance - beginning of year			-	
Fund Balance - end of year			<u>\$ 48,157.20</u>	



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

Certified Public Accountants and Consultants

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

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

In planning and performing our audit of the governmental activities, the business-type activities, the aggregate remaining fund information, each major fund and the aggregate remaining fund information of the **City of Rolla, Missouri** for the year ended September 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. We make the following suggestions:

## I. CURRENT YEAR RECOMMENDATIONS:

### Capital Assets

The City changed software programs used for the reporting and recording of capital assets. During the process of entering the data into the new software, discrepancies were identified when this data was compared to the September 30, 2005 schedule. The discrepancies involved both the original cost basis of the asset and the accumulated depreciation. Both the Finance Director and the audit staff spent a significant amount of time analyzing the discrepancies and correcting the information entered into the software. As noted in the audit report, prior period audit adjustments were recorded to reconcile errors. While it does appear that the current schedule is materially correct, it is important that the capital asset schedule be maintained and updated regularly and reconciled to the City's financial statements. The current software program does not have the capability to generate one depreciation report that includes the original cost, accumulated depreciation, net book value and assets disposed in the current year. The system is designed to generate a depreciation register that reports only the assets that are currently being depreciated. Therefore, it is not possible to reconcile the fixed asset report to the general

## **Letter of Suggestions**

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ledger detail by using only one fixed asset report. The reconciliation process requires the use of three separate reports to properly perform the reconciliation. We would also recommend implementation of a procedure to categorize the assets in the depreciation system in the same categories used in the general ledger system. This should assist in the reconciliation process.

### **Permit Deposits**

The City collects refundable deposits for construction related projects. Prior to September 30, 2005, the City recorded the receipt of this refundable deposit as revenue and reduced the revenue when the deposit was actually refunded. Upon further inquiry and analysis, it was determined that the outstanding liability for these refundable deposits was significant and an audit adjustment was proposed to report as a liability the amount of deposits received by September 30, 2006 expected to be refunded. It is our recommendation that the City establish a procedure to track this deposit liability and reconcile the balance to the financial statements.

### **GASB 45**

The Governmental Accounting Standards Board (GASB) has issued Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. Currently the City allows certain retirees to continue their participation in the City's self-insured health insurance program. The premiums paid by these participants do not fully fund their costs. Because the City is paying for at least a portion of these postemployment benefits, the City will be required to comply with this new pronouncement. This will require the City to obtain an actuarial evaluation of the benefit obligation and record a corresponding liability. It is our recommendation that the City consult with experts well in advance of the required implementation date of September 30, 2009 to be prepared to properly implement these requirements.

### **Adjusting Journal Entries**

During our review of adjusting journal entries, we noted that there is no procedure requiring the journal entries be initialed by the individual reviewing and approving the posting of the entry. We recommend all non-standard journal entries be reviewed and approved by an individual other than the person recording the entry and that the review be verified by the reviewer initialing the document.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the basic 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.

## Letter of Suggestions

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Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information and use of the City Council or management, and others within the organization and is not intended to be and should not be used by anyone other than those specified parties.

*Evers & Company, CPA's, LLC*

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

November 29, 2006