

CITY OF ROLLA, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2013

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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Rolla, Missouri, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 discretely presented component unit, and each major fund of the City of Rolla, Missouri, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rolla, Missouri's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* during the year ended September 30, 2013.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2014, on our consideration of the City of Rolla, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rolla, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
April 4, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2013**

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, 2013. Please read it in conjunction with the City's financial statements, which begin on page 16.

Financial Highlights

- The net position of the City's governmental activities increased by \$1,221,533 for the year as a result of current year activities. The net position of the City's business activities decreased \$94,188 for the year.
- The assets of the City exceeded its liabilities as of September 30, 2013, by \$98.4 million (net position). Of this amount, \$7.2 million was unrestricted from overall operations (up from \$7.1 million in FY 2012) and may be used to meet future obligations of the City.
- Total long-term liabilities of the City increased by \$2,673,817.
- Total value of new building construction costs for fiscal year 2013 was \$30,112,549 compared to \$17,472,291 in fiscal year 2012. Overall 68 new housing units were added (11 of which are detached single family homes) to the Rolla housing inventory in fiscal year 2013.
- Beginning in May 2010, various departments within the City of Rolla started an Energy Efficiency Program. These departments include: City Hall Building Services, Police Department, Fire Department, Sewer Department and the Centre. In 2012, the lease purchase financing associated with this project was refinanced with Series 2012 Certificates of Participation for a 15 year term with interest rates from 2.00% to 3.40%. The total project cost of \$2,755,000 has a projected annual savings of \$200,000.
- The City of Rolla collects a sales tax rate of 2.50% which is distributed among the General Fund (1%), Street Fund (1%), and the Parks and Recreation Fund (0.5%) (the Park sales tax will expire December 2013). In fiscal year 2013, the City received \$9,620,657 overall, which is a 1.56% increase for sales tax receipts received in fiscal year 2012. Since sales tax revenues account for approximately 39% of total revenue, sales tax revenues are monitored monthly and the budget is adjusted accordingly to ensure a balance between revenues and expenditures.
- FY 2013 completes eleven full years of operations of the recreation center. Over that time the average recapture rate is 84%, as calculated as all operating expenses incurred within the facility covered by user fees through memberships and program revenues. In FY 2013 recreation center revenues increased by 1% with membership declining by 1%, program revenue increased 7% and rental income increasing by 27% (primarily due to leasing of space from East Central College). Recreation center expenses declined 7% primarily due to a 12% decrease in personnel costs.

Using This Annual Report

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2013**

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 Position 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 position and changes in them. The City's net position – the difference between assets and liabilities – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds rather than the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes and grants.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2013**

- 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 Position 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 POSITION

The following table presents the condensed Statement of Net Position for the City as of September 30, 2013 and 2012, as restated:

	Governmental Activities	Business-Type Activities	Total September 30, 2013	Total September 30, 2012
Current and other assets	\$ 10,102,998	\$ 8,543,588	\$ 18,646,586	\$ 16,077,040
Capital assets	78,545,430	26,958,620	105,504,050	103,046,647
TOTAL ASSETS	88,648,428	35,502,208	124,150,636	119,123,687
Other liabilities	3,364,018	1,798,882	5,162,900	3,937,113
Long-term liabilities outstanding	9,258,231	11,305,457	20,563,688	17,889,871
TOTAL LIABILITIES	12,622,249	13,104,339	25,726,588	21,826,984
Net position:				
Net investment in capital assets	70,103,346	19,913,596	90,016,942	89,014,878
Restricted	499,321	746,242	1,245,563	1,218,208
Unrestricted	5,423,512	1,738,031	7,161,543	7,063,617
TOTAL NET POSITION	<u>\$ 76,026,179</u>	<u>\$ 22,397,869</u>	<u>\$ 98,424,048</u>	<u>\$ 97,296,703</u>

Total net position of the City increased \$1,127,345 for the year due to current year activity. Total liabilities for the City have increased by \$3,899,604, mainly due to the issuance of Certificates of Participation in the amount of \$4,080,000 and payment of principal. Net capital assets for the governmental activities totaled \$78.5 million as of September 30, 2013.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2013**

CHANGE IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2013	Total Year Ended September 30, 2012
REVENUES				
Program Revenues				
Charges for services	\$ 3,391,792	\$ 6,031,127	\$ 9,422,919	\$ 9,337,536
Operating grants and contributions	312,719	-	312,719	358,846
Capital grants and contributions	1,073,627	39,264	1,112,891	1,348,824
General Revenues			-	
Property taxes	1,167,076	-	1,167,076	1,134,851
Sales taxes	9,476,193	-	9,476,193	9,511,689
Motor vehicle taxes	703,488	-	703,488	694,615
Payment in lieu of taxes	1,453,441	-	1,453,441	1,555,975
Other taxes	402,615	-	402,615	414,951
Franchise fees	712,253	-	712,253	684,038
Interest	167,659	289,662	457,321	572,418
Other revenue	165,935	118,588	284,523	96,309
Transfers	615,505	(615,505)	-	-
TOTAL REVENUES	19,642,303	5,863,136	25,505,439	25,710,052
EXPENSES				
General government and other	4,299,898	-	4,299,898	5,638,369
Public safety	5,954,541	-	5,954,541	5,557,549
Public works and maintenance	4,788,289	-	4,788,289	4,290,297
Parks and recreation	2,720,928	-	2,720,928	2,584,095
Airport	657,114	-	657,114	671,289
Sewer	-	2,730,993	2,730,993	2,260,051
Environmental services	-	3,226,331	3,226,331	2,791,683
TOTAL EXPENSES	18,420,770	5,957,324	24,378,094	23,793,333
INCREASE (DECREASE) IN NET POSITION	\$ 1,221,533	\$ (94,188)	\$ 1,127,345	\$ 1,916,719

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2013**

Governmental Activities

Governmental activities increased the net position of the City by \$1,221,533. Total tax revenues for the City were \$13.9 million, which represents 71% of the financing of these activities. Program revenues for the functions totaled \$4.8 million or 24% of the funding. The following table shows the cost of the City's programs as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

NET COST OF THE CITY OF ROLLA'S GOVERNMENTAL ACTIVITIES

	Total Cost of Services	Net Cost of Services
General government and other	\$ 4,299,898	\$ 2,726,291
Public safety	5,954,541	5,377,148
Public works and maintenance	4,788,289	4,547,046
Parks and recreation	2,720,928	1,503,373
Airport	657,114	(511,226)
	\$ 18,420,770	\$ 13,642,632

Business-Type Activities

Business-type activities decreased the City's net position by \$94,188. Last year the business-type activities increased \$905,176.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2013, were \$7.4 million. The General Fund increased by \$556,270. The Street Fund decreased by \$411,418. The Parks and Recreation Fund increased by \$532,319. The Airport Fund decreased by \$335,008. The Cemetery Fund increased by \$10,700. The Park Land Reserve Fund decreased by \$39,075.

The General Fund budgeted an operating surplus of \$151,716, but ended the year with an increase of \$556,270. After a 1.73% increase in fiscal year 2012, sales tax receipts continued to increase by 1.56% in 2013. The General Fund receives approximately 39% of its revenues from sales tax.

City Council established a goal of a General Fund Reserve Balance equal to 25% of the annual General Fund operating expenditures. The fund balance in the General Fund was \$2,526,967 (24%) at fiscal year end, which absorbed the savings of several early retirements that took effect late in fiscal year 2012.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2013**

From 2002 through September 30, 2013, the Fire Department received approval for a total of \$1,500,000 in Weapons of Mass Destruction Grants through the Department of Homeland Security. Although the previous grants were awarded and expended within the year of award, the balance remaining in grant funds is estimated to be \$50,000 and will be expended in fiscal year 2014.

Expenditures were budgeted to exceed revenues by \$639,843 in the Street Fund in 2013, but ended with a deficit of \$411,418. The Street Fund receives two ½ cent sales taxes (the Transportation Sales Tax and the Capital Improvement Sales Tax) and motor fuel taxes. Sales tax receipts increased 1.56% in fiscal year 2013.

The ½ cent Parks and Recreation (Park) tax receipts increased 1.56% and will sunset in December 2013. FY 2013 was the second fiscal year combining the recreation center, SplashZone, and parks and recreation into one Fund (Within the fund, each division is tracked independently). Overall revenue for the Park Fund was \$3.45 million. Total operating revenues (excluding taxes, interest and transfers) were \$1.28 million. Of this total \$1.1 million was generated at the recreation center, \$96,000 from parks and cemetery, and \$84,000 from SplashZone. Other revenues totaled \$2.21 million primarily from the ½ cent park sales tax (expired Dec 2013) and the park property tax levy. Total expenditures for the parks and recreation department were \$2.8 million. Of this total \$2.1 million was operating costs and \$700,000 for capital expenditures (replacement of the recreation center pool's HVAC cost \$600,000). Personnel costs accounted for \$1.3 million - \$160,000 less than the previous year. Parks and recreation, including the recreation center and SplashZone will continue to operate with the goal of recapturing operating expenses. Due to a particularly cool, wet summer, SplashZone only recaptured 70%. Revenues decreased 18% while expenses stayed the same at the SplashZone.

General Fund Budgetary Highlights

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

- The original revenue budget of \$9,973,895 was not changed during the year.
- The total original expenditures budget of \$10,864,636 was not changed during the year.
- The original budget for lease proceeds and transfers of \$1,042,457 was not changed during the year.

Mid-year budget adjustments were presented and approved by City Council at the May 20, 2013, meeting. The overall mid-year budget adjustments increased revenues \$108,271 (primarily due to Sewer lease proceeds and the EDA Airport grant, Parks and Recreation pool pac replacement and ball field light replacements) and increased expenditures \$348,182 (primarily due to the EDA Airport grant).

Fiscal year end budget adjustments were presented and approved by City Council at the December 16, 2013, meeting. The year-end budget adjustments were done to comply with Chapter 67, RSMo. The overall year-end budget adjustments increased expenditures \$444,000 (primarily due to depreciation expense for environmental services of \$216,000 and \$225,000 for the final 2012 COP payment). These adjustments are intended to modify the budget to the actual year-end projections.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2013**

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$78.5 million (net of accumulated depreciation) as of September 30, 2013. This represents an increase of \$765,144. Net capital assets for business-type activities were \$26.9 million as of September 30, 2013. This represents an increase of \$1,692,259 from the prior year.

Debt

Total debt and long-term obligations of the governmental activities as of September 30, 2013, was \$10.3 million, which is a decrease of \$224,989 due to current year principal payments and new fire truck and public works equipment capital leases.

Total debt and long-term obligations of the business-type activities as of September 30, 2013, was \$10.2 million, which is up by \$3,365,958 from the prior year due to payments made on the City's capital leases and revenue bonds and the issuance of Certificates of Participation for the sewer disinfection project.

Economic Factors and Next Year's Budget

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

Economic Development – In fiscal year 2004 City Council entered into a five-year contract for services with Rolla Regional Economic Commission (RREC). That contract was extended for another five years in December 2009, but over the contract term, contributions have been reduced from \$115,000 to \$85,000 (FY 2014 increased contribution to \$95,000). The City continues to promote development along I-44 including “Rolla West”, Bryant Drive extension and Kingshighway improvements. The City also entered into its first TIF Redevelopment project with Kohl's which opened March 2012. In addition, the City has made infrastructure development at the Rolla National Airport a priority in support of new industrial prospects. These improvements are in conjunction with an EDA grant still waiting to provide reimbursement.

Sales tax receipts increased 1.56% in fiscal year 2013. Staff will continue to monitor the situation closely but anticipates sales tax growth of 1% in fiscal year 2014. Due to a decline in FY 2014, sale tax projections are being revised downward to 3% decline. Rolla has a solid economic base but one that has stagnated in the last several years despite the growth with healthcare and education. The loss of employment from Briggs & Stratton and Cantex, potential loss through internet sales and possible reductions at Fort Leonard Wood continues to adversely impact the local economy but new or expanding projects, such as Kohl's, Brewer Science, and MoSci, pose strengths and opportunities for continued growth.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ROLLA, MISSOURI
SEPTEMBER 30, 2013**

Economic Factors and Next Year's Budget (continued)

The City's self-funded health insurance program ended calendar year 2013 with an employee contribution rate of 33.56%. This percentage is made up of premiums withheld from payroll, co-payments, and deductibles paid by employees. Note: the employee contribution calculated from the Internal Service Fund reported in this audit does not include the co-payments and deductibles paid by employees.

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

Animal Control Shelter - As the City has actively been selling the Sharp Rd. property off 18th St., the City has initiated efforts to begin planning for an ultimate replacement of the Animal Shelter – due in large part to a substantial donation from Mr. Bob Eck (\$441,000) in FY 2012. With few City resources this will be a project largely driven and funded through charitable donations if the project comes to fruition.

Contacting the City's Financial Management

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

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

CITY OF ROLLA, MISSOURI
STATEMENT OF NET POSITION
September 30, 2013

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Rolla Municipal Utilities
ASSETS				
Cash and cash equivalents - unrestricted	\$ 5,906,852	\$ 2,136,119	\$ 8,042,971	\$ 23,288,491
Taxes receivable, net	2,001,910	-	2,001,910	-
Utilities receivable, net	-	700,555	700,555	888,228
Other accounts receivable	129,790	-	129,790	-
Court fines receivable, net	56,614	-	56,614	-
Intergovernmental receivable	680,838	-	680,838	-
Special assessments receivable	301,491	-	301,491	-
Accrued interest receivable	-	22,523	22,523	-
Inventory	55,123	-	55,123	741,557
Prepaid expenses	402,292	76,239	478,531	161,301
Restricted cash and cash equivalents	568,088	3,614,232	4,182,320	-
Restricted investments	-	1,993,920	1,993,920	-
Capital Assets:				
Non-depreciable	14,179,630	2,350,753	16,530,383	2,740,106
Depreciable, net	64,365,800	24,607,867	88,973,667	37,512,530
TOTAL ASSETS	88,648,428	35,502,208	124,150,636	65,332,213
LIABILITIES				
Current				
Accounts payable	1,811,635	849,654	2,661,289	1,858,459
Accrued expenses	384,606	83,731	468,337	27,067
Police evidence payable	34,578	-	34,578	-
Deposits payable	-	-	-	1,482,506
Court bonds payable	5,818	-	5,818	-
Refundable permits	28,209	-	28,209	-
Accrued interest payable	47,219	98,647	145,866	19,470
Arbitrage payable	-	83,271	83,271	-
Current maturities of long-term debt	1,051,953	683,579	1,735,532	754,000
	3,364,018	1,798,882	5,162,900	4,141,502
Noncurrent				
Capital leases payable	3,124,079	-	3,124,079	13,584,000
Certificates of participation payable	1,281,801	4,823,199	6,105,000	-
General obligation bonds payable	2,984,251	-	2,984,251	-
Revenue bonds payable, net	-	4,521,587	4,521,587	-
Payable to other governments	-	1,795,298	1,795,298	-
Post employment benefit liability	622,820	-	622,820	-
Post employment pension liability	255,941	-	255,941	-
Compensated absences payable	989,339	165,373	1,154,712	125,205
	9,258,231	11,305,457	20,563,688	13,709,205
TOTAL LIABILITIES	12,622,249	13,104,339	25,726,588	17,850,707
NET POSITION				
Net investment in capital assets	70,103,346	19,913,596	90,016,942	25,914,636
Restricted	499,321	746,242	1,245,563	-
Unrestricted	5,423,512	1,738,031	7,161,543	21,566,870
TOTAL NET POSITION	\$ 76,026,179	\$ 22,397,869	\$ 98,424,048	\$ 47,481,506

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position			Component Unit Rolla Municipal Utilities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government								
Governmental activities								
Administrative	\$ (588,004)	\$ 80,200	\$ -	\$ -	\$ (507,804)	\$ -	\$ (507,804)	\$ -
Administrator	(373,790)	-	-	-	(373,790)	-	(373,790)	-
Finance	(498,141)	22,500	-	-	(475,641)	-	(475,641)	-
Legal services	(62,645)	-	-	-	(62,645)	-	(62,645)	-
City court	(74,991)	-	-	-	(74,991)	-	(74,991)	-
911 telecommunications	(1,009,530)	1,008,420	-	-	(1,110)	-	(1,110)	-
Animal shelter	(144,281)	16,915	1,344	-	(126,022)	-	(126,022)	-
Police	(3,296,033)	176,587	288,237	59,095	(2,772,114)	-	(2,772,114)	-
Fire	(2,658,508)	51,974	1,500	-	(2,605,034)	-	(2,605,034)	-
Building maintenance	(98,015)	-	-	-	(98,015)	-	(98,015)	-
Engineering	(699,909)	-	-	-	(699,909)	-	(699,909)	-
Community development	(389,866)	104,038	-	3,862	(281,966)	-	(281,966)	-
Library	(193,988)	191,839	-	-	(2,149)	-	(2,149)	-
Economic development	(195,510)	110,049	-	-	(85,461)	-	(85,461)	-
Public works	(4,690,274)	96,700	-	144,543	(4,449,031)	-	(4,449,031)	-
Parks and recreation	(2,720,928)	1,195,917	21,638	-	(1,503,373)	-	(1,503,373)	-
Airport	(657,114)	302,213	-	866,127	511,226	-	511,226	-
Cemetery	(1,524)	34,440	-	-	32,916	-	32,916	-
Debt service	(67,719)	-	-	-	(67,719)	-	(67,719)	-
TOTAL GOVERNMENTAL ACTIVITIES	(18,420,770)	3,391,792	312,719	1,073,627	(13,642,632)	-	(13,642,632)	-
Business-Type Activities								
Sewer	(2,730,993)	2,790,198	-	20,262	-	79,467	79,467	-
Environmental services	(3,226,331)	3,240,929	-	19,002	-	33,600	33,600	-
TOTAL BUSINESS-TYPE ACTIVITIES	(5,957,324)	6,031,127	-	39,264	-	113,067	113,067	-
TOTAL PRIMARY GOVERNMENT	\$ (24,378,094)	\$ 9,422,919	\$ 312,719	\$ 1,112,891	(13,642,632)	113,067	(13,529,565)	-

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended September 30, 2013

Functions/Programs	Program Revenues			Net (Expenses), Revenues and Changes in Net Position			Component Unit Rolla Municipal Utilities		
	Expenses	Charges	Operating	Capital	Primary Government				
		for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities		Total	
Component Unit Rolla Municipal Utilities	\$ (29,706,696)	\$ 29,288,117	\$ -	\$ 14,036	-	-	-	(404,543)	
		General Revenues:							
					Property taxes	1,167,076	-	1,167,076	-
					Sales taxes	9,476,193	-	9,476,193	-
					Motor vehicle taxes	703,488	-	703,488	-
					Payment in lieu of taxes	1,453,441	-	1,453,441	-
					Other taxes	402,615	-	402,615	-
					Franchise fees	712,253	-	712,253	-
					Interest	167,659	289,662	457,321	51,226
					Other revenue	165,935	118,588	284,523	228,468
					Transfers	615,505	(615,505)	-	-
					Total General Revenues and Transfers	14,864,165	(207,255)	14,656,910	279,694
					Changes in Net Position	1,221,533	(94,188)	1,127,345	(124,849)
					Net Position, Beginning of year, as restated	74,804,646	22,492,057	97,296,703	47,606,355
					Net Position, End of year	\$ 76,026,179	\$ 22,397,869	\$ 98,424,048	\$ 47,481,506

See accompanying notes.

CITY OF ROLLA, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2013

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Parks and Recreation Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	
ASSETS							
Cash and cash equivalents	\$ 955,886	\$ 531,415	\$ 3,518,081	\$ 8,963	\$ 288,170	\$ 65,335	\$ 5,367,850
Taxes receivable, net	1,014,402	682,789	304,719	-	-	-	2,001,910
Other accounts receivable	83,840	21,404	5,100	3,003	-	-	113,347
Court fines receivable, net	56,614	-	-	-	-	-	56,614
Intergovernmental receivable	17,718	75,610	-	587,510	-	-	680,838
Inventory	-	-	-	55,123	-	-	55,123
Prepaid expenses	292,151	41,178	62,962	6,001	-	-	402,292
Special assessments receivable	301,491	-	-	-	-	-	301,491
Restricted cash and cash equivalents	568,088	-	-	-	-	-	568,088
TOTAL ASSETS	\$ 3,290,190	\$ 1,352,396	\$ 3,890,862	\$ 660,600	\$ 288,170	\$ 65,335	\$ 9,547,553
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 301,866	\$ 905,540	\$ 128,393	\$ 301,076	\$ -	\$ -	\$ 1,636,875
Accrued expenses	291,525	34,071	49,102	5,658	-	-	380,356
Police evidence payable	34,578	-	-	-	-	-	34,578
Court bonds payable	5,818	-	-	-	-	-	5,818
Refundable permits	28,209	-	-	-	-	-	28,209
TOTAL LIABILITIES	661,996	939,611	177,495	306,734	-	-	2,085,836
Deferred Inflows of Resources							
Deferred special assessments	89,783	-	-	-	-	-	89,783
Deferred court fines	11,444	-	-	-	-	-	11,444
Deferred taxes	-	7,010	-	-	-	-	7,010
TOTAL DEFERRED INFLOWS OF RESOURCES	101,227	7,010	-	-	-	-	108,237

See accompanying notes.

CITY OF ROLLA, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2013

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Parks and Recreation Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	
Fund Balances							
Nonspendable:							
Inventory	-	-	-	55,123	-	-	55,123
Prepaid expenses	292,151	41,178	62,962	6,001	-	-	402,292
Restricted for:							
Police	7,273	-	-	-	-	-	7,273
Animal shelter	453,894	-	-	-	-	-	453,894
TIF-EATS	38,154	-	-	-	-	-	38,154
Committed to:							
Depreciation and replacement	-	-	2,455,390	-	-	-	2,455,390
Cemetery	-	-	-	-	200,000	-	200,000
Assigned to:							
Risk management	700,740	26,707	43,418	6,230	-	-	777,095
Street	-	337,890	-	-	-	-	337,890
Parks and recreation	-	-	1,151,597	-	-	-	1,151,597
Airport	-	-	-	286,512	-	-	286,512
Cemetery	-	-	-	-	88,170	-	88,170
Park land reserve	-	-	-	-	-	65,335	65,335
Unassigned	1,034,755	-	-	-	-	-	1,034,755
TOTAL FUND BALANCES	2,526,967	405,775	3,713,367	353,866	288,170	65,335	7,353,480
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,290,190	\$ 1,352,396	\$ 3,890,862	\$ 660,600	\$ 288,170	\$ 65,335	\$ 9,547,553

See accompanying notes.

CITY OF ROLLA, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET POSITION
 September 30, 2013

Fund balance - total governmental funds	\$ 7,353,480
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	126,352,083
Less accumulated depreciation	<u>(47,806,653)</u>
	78,545,430
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(47,219)
Adjustment of deferred inflows	108,237
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(10,369,121)
Unamortized deferred loss on bond refunding	58,937
The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position	<u>376,435</u>
Net Position of Governmental Activities	<u><u>\$ 76,026,179</u></u>

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended September 30, 2013

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Parks and Recreation Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	
REVENUES							
Taxes	\$ 7,417,125	\$ 4,365,441	\$ 2,124,033	\$ -	\$ -	\$ -	\$ 13,906,599
Licenses and permits	184,237	-	-	-	-	-	184,237
Intergovernmental revenues	1,689,966	144,543	-	916,396	-	-	2,750,905
Charges for services	51,974	96,700	1,219,657	302,213	10,700	-	1,681,244
Fines and forfeitures	173,467	-	-	-	-	-	173,467
Interest income	64,731	5,119	80,384	11,439	5,721	265	167,659
Miscellaneous	60,690	34,295	30,135	7,534	-	21,566	154,220
TOTAL REVENUES	9,642,190	4,646,098	3,454,209	1,237,582	16,421	21,831	19,018,331
EXPENDITURES							
Current							
Administrative	574,367	-	-	-	-	-	574,367
Administrator	380,028	-	-	-	-	-	380,028
Finance	491,829	-	-	-	-	-	491,829
Legal services	62,643	-	-	-	-	-	62,643
City court	73,852	-	-	-	-	-	73,852
911 telecommunications	1,005,739	-	-	-	-	-	1,005,739
Animal shelter	136,293	-	-	-	-	-	136,293
Police	3,167,476	-	-	-	-	-	3,167,476
Fire	2,990,786	-	-	-	-	-	2,990,786
Building maintenance	89,321	-	-	-	-	-	89,321
Engineering	689,843	-	-	-	-	-	689,843
Community development	386,724	-	-	-	-	-	386,724
Library	193,976	-	-	-	-	-	193,976
Economic development	195,322	-	-	-	-	-	195,322
Public works	-	4,362,034	-	-	-	-	4,362,034
Parks and recreation	-	-	2,853,757	-	-	-	2,853,757
Park	-	-	-	-	-	60,906	60,906
Airport	-	-	-	1,829,471	-	-	1,829,471
Debt Service							
Principal and interest	-	571,476	-	-	-	-	571,476
TOTAL EXPENDITURES	10,438,199	4,933,510	2,853,757	1,829,471	-	60,906	20,115,843

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
Year Ended September 30, 2013

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Parks and Recreation Fund	Airport Fund	Cemetery Fund	Park Land Reserve Fund	
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(796,009)	(287,412)	600,452	(591,889)	16,421	(39,075)	(1,097,512)
OTHER FINANCING SOURCES (USES)							
Capital lease proceeds	455,274	340,521	-	-	-	-	795,795
Operating transfers in (out)	897,005	(464,527)	(68,133)	256,881	(5,721)	-	615,505
TOTAL OTHER FINANCING SOURCES (USES)	1,352,279	(124,006)	(68,133)	256,881	(5,721)	-	1,411,300
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	556,270	(411,418)	532,319	(335,008)	10,700	(39,075)	313,788
FUND BALANCE, October 1	1,970,697	817,193	3,181,048	688,874	277,470	104,410	7,039,692
FUND BALANCE, September 30	\$ 2,526,967	\$ 405,775	\$ 3,713,367	\$ 353,866	\$ 288,170	\$ 65,335	\$ 7,353,480

See accompanying notes.

CITY OF ROLLA, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2013

Net change in fund balances - total governmental funds	\$ 313,788
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives on a straight-line basis and reported as depreciation expense. The following is the detail of the amount by which capital outlays exceeded depreciation for the year:	
Capital outlay	4,112,369
Depreciation	(3,316,403)
Disposal of capital assets, net	(30,822)
	<u>765,144</u>
Some revenues reported in the governmental funds represent current financial resources and were recognized in the Statement of Activities when earned	8,467
The issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt is a use of current financial resources of governmental funds. In the Statement of Activities, interest is accrued on outstanding debt whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences:	
Lease proceeds	(795,795)
Repayment of principal on bonds, COPs, leases and loans	1,076,371
Deferred loss amortization	(9,961)
Change in accrued interest payable	8,139
	<u>278,754</u>
Some expenditures reported in the governmental funds represent the use of current financial resources and were recognized in the statement of activities when incurred	(45,626)
The Internal Service Fund is used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of the Internal Service Fund is reported with governmental activities	(98,994)
Change in Net Position of Governmental Activities	<u>\$ 1,221,533</u>

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
September 30, 2013

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,613,220	\$ 522,899	\$ 2,136,119	\$ 539,002
Utilities receivable, net	381,238	319,317	700,555	-
Other accounts receivable	-	-	-	16,443
Accrued interest receivable	22,523	-	22,523	-
Prepaid expenses	27,500	48,739	76,239	-
TOTAL CURRENT ASSETS	2,044,481	890,955	2,935,436	555,445
Restricted Assets				
Cash and cash equivalents	3,614,232	-	3,614,232	-
Investments	1,993,920	-	1,993,920	-
TOTAL RESTRICTED ASSETS	5,608,152	-	5,608,152	-
Property, Plant and Equipment				
Land	587,779	670,663	1,258,442	-
Construction in progress	1,092,311	-	1,092,311	-
Buildings	1,840,969	2,890,861	4,731,830	-
Sewer treatment plant	14,929,953	-	14,929,953	-
Sewer mains and lines	13,012,914	-	13,012,914	-
Manhole covers	1,459,701	-	1,459,701	-
Major moveable equipment	1,629,059	3,147,948	4,777,007	-
	34,552,686	6,709,472	41,262,158	-
Less accumulated depreciation	(11,502,088)	(2,801,450)	(14,303,538)	-
TOTAL PROPERTY, PLANT AND EQUIPMENT	23,050,598	3,908,022	26,958,620	-
TOTAL ASSETS	30,703,231	4,798,977	35,502,208	555,445

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (continued)
September 30, 2013

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts payable	724,148	125,506	849,654	174,760
Accrued expenses	30,989	52,742	83,731	4,250
Accrued interest payable	98,647	-	98,647	-
Arbitrage payable	83,271	-	83,271	-
Current maturities of long-term debt	683,579	-	683,579	-
TOTAL CURRENT LIABILITIES	1,620,634	178,248	1,798,882	179,010
Long-Term Liabilities				
Certificates of participation payable	4,823,199	-	4,823,199	-
Revenue bonds payable, net	4,521,587	-	4,521,587	-
Payable to other governments	1,795,298	-	1,795,298	-
Compensated absences payable	57,693	107,680	165,373	-
TOTAL LONG-TERM LIABILITIES	11,197,777	107,680	11,305,457	-
TOTAL LIABILITIES	12,818,411	285,928	13,104,339	179,010
Net Position				
Net investment in capital assets	16,005,574	3,908,022	19,913,596	-
Restricted	746,242	-	746,242	-
Unrestricted	1,133,004	605,027	1,738,031	376,435
TOTAL NET POSITION	\$ 17,884,820	\$ 4,513,049	\$ 22,397,869	\$ 376,435

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY
FUNDS
Year Ended September 30, 2013

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
OPERATING REVENUES				
Charges for services	\$ 2,790,198	\$ 3,240,929	\$ 6,031,127	\$ -
Charges to other departments	-	-	-	1,812,483
Contributions - employees	-	-	-	616,837
TOTAL OPERATING REVENUES	2,790,198	3,240,929	6,031,127	2,429,320
OPERATING EXPENSES				
Personnel services	696,422	1,264,020	1,960,442	-
Contractual services	181,757	111,758	293,515	-
Repairs and maintenance	259,371	238,436	497,807	-
Supplies	91,474	448,815	540,289	-
Utilities	265,314	36,579	301,893	-
Insurance claims and expenses	38,270	65,268	103,538	2,539,274
Landfill	-	820,960	820,960	-
Depreciation	694,944	227,616	922,560	-
Miscellaneous	6,775	12,879	19,654	-
TOTAL OPERATING EXPENSES	2,234,327	3,226,331	5,460,658	2,539,274
OPERATING INCOME (LOSS)	555,871	14,598	570,469	(109,954)
NONOPERATING REVENUES (EXPENSES)				
Interest income	280,438	9,224	289,662	10,960
Other revenue	5,080	-	5,080	-
Capital contributions	20,262	19,002	39,264	-
Interest expense	(496,666)	-	(496,666)	-
Gain on sale of capital assets	29,978	83,530	113,508	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(160,908)	111,756	(49,152)	10,960
INCOME (LOSS) BEFORE OPERATING TRANSFERS	394,963	126,354	521,317	(98,994)
OPERATING TRANSFERS (OUT)	(390,340)	(225,165)	(615,505)	-
NET INCOME (LOSS)	4,623	(98,811)	(94,188)	(98,994)
NET POSITION, October 1, as restated	17,880,197	4,611,860	22,492,057	475,429
NET POSITION, September 30	\$ 17,884,820	\$ 4,513,049	\$ 22,397,869	\$ 376,435

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2013

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,122,685	\$ 3,123,271	\$ 6,245,956	\$ 2,441,963
Cash paid to suppliers	(775,919)	(2,117,921)	(2,893,840)	(2,441,963)
Cash paid to employees	(684,457)	(1,242,395)	(1,926,852)	-
Other cash received for nonoperating revenues	5,080	-	5,080	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,667,389	(237,045)	1,430,344	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due (to) other governments	(220,500)	-	(220,500)	-
Operating transfer in (out)	(390,340)	(225,165)	(615,505)	-
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(610,840)	(225,165)	(836,005)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of long-term debt	4,080,000	-	4,080,000	-
Purchase of capital assets	(971,495)	(1,040,672)	(2,012,167)	-
Proceeds from sale of capital assets	53,869	83,530	137,399	-
Payment of bond principal	(435,000)	-	(435,000)	-
Payment of interest expense	(474,301)	-	(474,301)	-
Payment of principal on COPs	(294,185)	-	(294,185)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	1,958,888	(957,142)	1,001,746	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	278,297	9,224	287,521	10,960
Maturity of investments	160,237	-	160,237	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	438,534	9,224	447,758	10,960
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,453,971	(1,410,128)	2,043,843	10,960
CASH AND CASH EQUIVALENTS, Beginning of year	1,773,481	1,933,027	3,706,508	528,042
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 5,227,452</u>	<u>\$ 522,899</u>	<u>\$ 5,750,351</u>	<u>\$ 539,002</u>

See accompanying notes.

CITY OF ROLLA, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (continued)
Year Ended September 30, 2013

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Sewer Fund	Environmental Services Fund		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 555,871	\$ 14,598	\$ 570,469	\$ (109,954)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	694,944	227,616	922,560	-
(Increase) decrease in:				
Utilities receivable	(4,581)	(117,658)	(122,239)	-
Intergovernmental receivable	337,068	-	337,068	-
Other accounts receivable	-	-	-	12,643
Prepaid expenses	1,604	283	1,887	-
Increase (decrease) in:				
Accounts payable	66,111	(383,509)	(317,398)	93,401
Accrued expenses	5,076	8,633	13,709	3,910
Compensated absences	6,889	12,992	19,881	-
Arbitrage payable	(673)	-	(673)	-
Other cash received for nonoperating revenues	5,080	-	5,080	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,667,389</u>	<u>\$ (237,045)</u>	<u>\$ 1,430,344</u>	<u>\$ -</u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Financial Reporting Entity

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

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

Component Unit

Rolla Municipal Utilities was established by City Ordinance in 1944. Rolla Municipal Utilities is operated by a Board of Public Works, the members of which are appointed by the Mayor and approved by the City Council. In accordance with GASB Statement 14, after consideration of the financial benefits and other criteria, Rolla Municipal Utilities has been included as a component unit in the City's reporting entity. Rolla Municipal Utilities' audited component unit financial statements for the year ended September 30, 2013, are available in their entirety at Rolla Municipal Utilities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Government-Wide and Fund Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FUND FINANCIAL STATEMENTS

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

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

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds.

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major proprietary funds:

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

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

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

Capital Assets

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rolla Municipal Utilities

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

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

Pooled Cash and Cash Equivalents

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

Inventories

Primary Government

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

Rolla Municipal Utilities

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Primary Government

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

Effective October 1, 1990, the City adopted a sick leave policy whereby full-time employees with five years or more employment with the City can accumulate up to 18 weeks sick leave. Upon retirement or resignation in good faith, full-time employees are entitled to one-fourth (1/4) regular pay [one sixth (1/6) regular pay for nonexempt fire personnel] for the first nine weeks unused sick leave and one-half (1/2) regular pay [one-third (1/3) regular pay for fire personnel] for any unused sick leave above nine weeks to a maximum of 18 weeks in total.

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

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

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

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

Rolla Municipal Utilities

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with FASB Accounting Standards Codification (ASC) Topic No. 835-20-30 – *The Amount Interest Cost to be Capitalized in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

Revenue Recognition - Property Taxes

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

Deposits and Investments

Primary Government

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

Rolla Municipal Utilities

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

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

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

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

Unrestricted – This consists of net position that does not meet the definition of restricted or net investment in capital assets.

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

Fund Balance Classification

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Post-Employment Health Care Benefits

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

NOTE B – CASH AND CASH EQUIVALENTS

Primary Government

State statutes require that the City’s deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2013, all bank balances on deposit are entirely insured or collateralized.

Rolla Municipal Utilities

State statutes require that the Utility’s deposits be insured or collateralized in the name of the Utility by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2013, all bank balances on deposit are entirely insured or collateralized with securities.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE C – INVESTMENTS

Primary Government

Investments of the City as of September 30, 2013, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Guaranteed Investment Contracts	1/1/2019 - 7/1/2021	\$ 1,993,735
U.S. Treasury Notes in State and Local Government Series (SLGS)	7/1/2020	<u>185</u>
		<u><u>\$ 1,993,920</u></u>

Guaranteed Investment Contracts

The City has Guaranteed Investment Contracts on deposit with United Missouri Bank. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in trust accounts for the 1996E and 2000A Combined Waterworks and Sewerage System Revenue Bonds reserve accounts. The City's funds are invested under the State Revolving Fund Program and are required to be collateralized in the amount of 100% of the value of the investment.

U.S. Treasury Notes (SLGS)

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

Interest Rate Risk

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

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE D – ACCOUNTS RECEIVABLE

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

Primary Government

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
TAXES RECEIVABLE			
General Fund	\$ 1,019,452	\$ 5,050	\$ 1,014,402
Street Fund	682,789	-	682,789
Parks and Recreation Fund	304,719	-	304,719
	<u>\$ 2,006,960</u>	<u>\$ 5,050</u>	<u>\$ 2,001,910</u>
UTILITIES RECEIVABLE			
Sewer Fund	\$ 387,438	\$ 6,200	\$ 381,238
Environmental Services Fund	319,317	-	319,317
	<u>\$ 706,755</u>	<u>\$ 6,200</u>	<u>\$ 700,555</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 140,528</u>	<u>\$ 83,914</u>	<u>\$ 56,614</u>

Rolla Municipal Utilities

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
Accounts Receivable			
Utilities receivable	\$ 940,008	\$ 60,000	\$ 880,008
Refundable deposits	8,220	-	8,220
	<u>\$ 948,228</u>	<u>\$ 60,000</u>	<u>\$ 888,228</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE E – RESTRICTED ASSETS

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

	Restricted Cash and Investments	Restricted Net Position
GENERAL FUND		
Court bonds	\$ 5,818	\$ -
TIF deposits	43,063	38,154
Refundable permits	23,300	-
Police evidence	34,578	-
Seizures and forfeitures	7,273	7,273
Animal control shelter	453,894	453,894
Property fire	162	-
	<u>\$ 568,088</u>	<u>\$ 499,321</u>
SEWER FUND		
1996E Revenue Bonds		
Reserve account	\$ 126,000	\$ -
Rebate account	3,489	-
Debt service reserve	2,751	2,751
Principal and interest	34,509	34,509
2000A Revenue Bonds		
Reserve account	1,669,298	-
Rebate account	61,188	-
Debt service reserve	4,971	4,971
Principal and interest	156,391	156,391
2006B Revenue Bonds		
Rebate account	18,594	-
Principal and interest	40,670	40,670
Depreciation and replacement	506,950	506,950
2012B Certificates of Participation proceeds	2,983,341	-
	<u>\$ 5,608,152</u>	<u>\$ 746,242</u>

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

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

Series 2012 Certificates of Participation

On June 29, 2012, the City issued \$2,755,000 of Series 2012 Certificates of Participation. The Certificates were issued to refinance the 2010 DNR Energy Efficiency Project and are split between Governmental and Business-type activities. \$1,484,037 of the \$2,755,000 outstanding Certificates was recorded as long-term debt within the governmental activities and \$1,270,963 was recorded in the business-type activities of the City. The Certificates of Participation bear interest from 2.00% to 3.40% with principal payments due January 1 and interest payments due January 1 and July 1 each year. The Governmental activities portion of the obligation at September 30, 2013, is \$1,363,222.

Capital Leases

On March 21, 2005, the City entered into a 20 year lease purchase agreement to finance City Hall improvements. The agreement requires annual payments of \$187,621, including interest at 4.3%.

On May 1, 2007, the City entered into an 11 year lease purchase agreement to finance the purchase of a new fire truck. The agreement requires annual lease payments of \$65,120, including interest at 6.371%.

On September 5, 2007, the City entered into a 20 year lease purchase agreement to finance the purchase of forest service land. This is a non-interest bearing lease maturing January 1, 2027. In accordance with APB No. 21, an effective interest rate of 4% was calculated based on the City's borrowing abilities. The lease requires annual payments of \$25,550, including effective interest of 4.0%.

On November 16, 2009, the City entered into a 5 year lease purchase agreement to finance the purchase of a dump truck. The agreement requires annual lease payments of \$28,261, which includes interest at 3.0%.

On February 15, 2011, the City entered into a 9 year lease purchase agreement to finance the purchase of a new fire truck. The agreement requires annual lease payments of \$76,794, which includes interest at 2.99%.

On January 19, 2012, the City entered into a 4 year lease purchase agreement to finance the purchase of 12 police vehicles. The agreement requires annual lease payments of \$73,143, which includes interest at 1.49%.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

On February 8, 2013, the City entered into a 10 year lease purchase agreement to finance the purchase of a new fire truck. The agreement requires annual lease payments of \$50,432, which includes interest at 2.35%

On February 8, 2013, the City entered into a 5 year lease purchase agreement to finance the purchase of a new trackloader, streetsweeper and backhoe for public works. The agreement requires annual lease payments of \$70,079, which includes interest at 1.45%

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

The total annual minimum lease payments required at September 30, 2013, are as follows:

Year Ended September 30,	City Hall Improvements	2007 Fire Truck	Forest Land	Dumptruck	2011 Fire Truck
2014	\$ 187,621	\$ 65,120	\$ 25,550	\$ 28,261	\$ 76,794
2015	187,621	65,120	25,550	-	76,794
2016	187,621	65,120	25,550	-	76,794
2017	187,621	65,120	25,550	-	76,794
2018	187,621	65,120	25,550	-	76,794
2019	187,621	-	25,550	-	76,794
2020	187,621	-	25,550	-	76,794
2021	187,621	-	25,550	-	-
2022	187,621	-	25,550	-	-
2023	187,621	-	25,550	-	-
2024	187,621	-	25,550	-	-
2025	93,811	-	25,550	-	-
2026	-	-	25,550	-	-
2027	-	-	25,550	-	-
TOTAL MINIMUM LEASE PAYMENTS	2,157,642	325,600	357,700	28,261	537,558
LESS AMOUNT REPRESENTING INTEREST	(468,859)	(33,978)	(87,812)	(937)	(58,929)
PRINCIPAL BALANCE, SEPTEMBER 30, 2013	<u>\$ 1,688,783</u>	<u>\$ 291,622</u>	<u>\$ 269,888</u>	<u>\$ 27,324</u>	<u>\$ 478,629</u>

(Table continued on next page)

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

Year Ended September 30,	Police Vehicles	2013 Fire Truck	Public Works Equipment	Total
2014	\$ 73,143	\$ 50,432	\$ 70,079	\$ 577,000
2015	73,143	50,432	70,079	548,739
2016	-	50,432	70,079	475,596
2017	-	50,432	70,079	475,596
2018	-	50,432	-	405,517
2019	-	50,432	-	340,397
2020	-	50,432	-	340,397
2021	-	50,432	-	263,603
2022	-	50,432	-	263,603
2023	-	-	-	213,171
2024	-	-	-	213,171
2025	-	-	-	119,361
2026	-	-	-	25,550
2027	-	-	-	25,550
	<u>146,286</u>	<u>453,888</u>	<u>280,316</u>	<u>4,287,251</u>
	(3,205)	(49,046)	(9,874)	(712,640)
	<u>\$ 143,081</u>	<u>\$ 404,842</u>	<u>\$ 270,442</u>	<u>\$ 3,574,611</u>

Series 2012 G.O. Refunding Bonds

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

\$ 3,420,000

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
2014	\$ 520,000	\$ 63,200	\$ 583,200
2015	540,000	52,600	592,600
2016	560,000	41,600	601,600
2017	580,000	30,200	610,200
2018	600,000	18,400	618,400
2019	620,000	6,200	626,200
	<u>\$ 3,420,000</u>	<u>\$ 212,200</u>	<u>\$ 3,632,200</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

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

	Balance September 30, 2012	Additions	Retirements	Balance September 30, 2013
Capital Lease Obligations	\$ 3,234,083	\$ 795,795	\$ 455,267	\$ 3,574,611
General Obligation Bonds	3,910,000	-	490,000	3,420,000
Premium on bonds	153,477	-	10,289	143,188
Less: Deferred loss on bond refunding	(68,898)	-	(9,961)	(58,937)
	3,994,579	-	490,328	3,504,251
Certificates of Participation				
2012 Series	1,484,037	-	120,815	1,363,222
Post-employment Benefit Liability	670,200	-	47,380	622,820
Post-employment Pension Liability	209,105	46,836	-	255,941
Compensated Absences	943,169	46,170	-	989,339
TOTAL	<u>\$ 10,535,173</u>	<u>\$ 888,801</u>	<u>\$ 1,113,790</u>	<u>\$ 10,310,184</u>

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

Primary Government

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

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

Series 2012 Certificates of Participation

On June 29, 2012, the City issued \$2,755,000 of Series 2012 Certificates of Participation. The Certificates were issued to refinance the 2010 DNR Energy Efficiency Project and are split between Governmental and Business-type activities. \$1,270,963 of the \$2,755,000 outstanding Certificates was recorded as long-term debt within the business-type activities and \$1,484,037 was recorded in the governmental activities of the City. The Certificates of Participation bear interest from 2.00% to 3.40% with principal payments due January 1 and interest payments due January 1 and July 1 each year. The lease is to be repaid over 15 years.

The annual debt service requirements on the Series 2012 Certificates of Participation, split between the Sewer Fund and the Governmental activities of the City, at September 30, 2013, are as follows:

<u>Year Ended</u> <u>September, 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 155,000	\$ 65,087	\$ 220,087
2015	155,000	61,988	216,988
2016	160,000	58,837	218,837
2017	165,000	55,588	220,588
2018	165,000	52,287	217,287
2019	170,000	48,725	218,725
2020	175,000	44,713	219,713
2021	180,000	40,272	220,272
2022	185,000	35,343	220,343
2023	190,000	29,902	219,902
2024	195,000	24,030	219,030
2025	205,000	17,676	222,676
2026	210,000	10,828	220,828
2027	215,000	3,655	218,655
	<u>\$ 2,525,000</u>	<u>\$ 548,931</u>	<u>\$ 3,073,931</u>

Amount recorded in:

Sewer Fund/Business-type Activities	\$ 1,161,778
Governmental Activities	<u>1,363,222</u>
	<u>\$ 2,525,000</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

Series 2012B Certificates of Participation

In October 2012, the City issued \$4,080,000 of Series 2012B Certificates of Participation. The Certificates were issued to pay the costs of acquiring, constructing and equipping improvements to the City’s sewer system. The Certificates bear interest from 2.00% to 3.45%. 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 annual debt service requirements on the Series 2012B Certificates of Participation at September 30, 2013, are as follows:

<u>Year Ended September, 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 160,000	\$ 113,512	\$ 273,512
2015	165,000	110,312	275,312
2016	170,000	107,012	277,012
2017	170,000	103,612	273,612
2018	175,000	100,212	275,212
2019	180,000	94,962	274,962
2020	185,000	89,562	274,562
2021	190,000	85,123	275,123
2022	195,000	80,088	275,088
2023	200,000	74,628	274,628
2024	205,000	68,828	273,828
2025	210,000	62,678	272,678
2026	220,000	56,273	276,273
2027	225,000	49,453	274,453
2028	235,000	42,365	277,365
2029	240,000	34,845	274,845
2030	250,000	26,565	276,565
2031	255,000	17,940	272,940
2032	265,000	9,143	274,143
	<u>\$ 3,895,000</u>	<u>\$ 1,327,113</u>	<u>\$ 5,222,113</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

1996E Wastewater System Revenue Bonds

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

The annual debt service requirements to amortize the principal on the 1996E revenue bonds outstanding at September 30, 2013, are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative</u> <u>Fee</u>	<u>Total</u>
2014	\$ 40,000	\$ 8,432	\$ 1,285	\$ 49,717
2015	45,000	6,180	1,000	52,180
2016	45,000	3,806	678	49,484
2017	50,000	1,313	357	51,670
	<u>\$ 180,000</u>	<u>\$ 19,731</u>	<u>\$ 3,320</u>	<u>\$ 203,051</u>

2000A Wastewater System Revenue Bonds

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

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

The annual debt service requirements to amortize the principal on the 2000A revenue bonds outstanding at September 30, 2013, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2014	\$ 285,000	\$ 134,263	\$ 16,993	\$ 436,256
2015	305,000	117,875	14,958	437,833
2016	320,000	100,337	12,781	433,118
2017	340,000	82,737	10,496	433,233
2018	355,000	63,868	8,068	426,936
2019	375,000	43,988	5,533	424,521
2020	400,000	22,800	2,856	425,656
	<u>\$ 2,380,000</u>	<u>\$ 565,868</u>	<u>\$ 71,685</u>	<u>\$ 3,017,553</u>

2006B Sewerage System Revenue Bonds

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

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

The annual debt service requirements to amortize the principal on the 2006B revenue bonds outstanding at September 30, 2013, are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative</u> <u>Fee</u>	<u>Total</u>
2014	\$ 125,000	\$ 105,687	\$ 12,103	\$ 242,790
2015	130,000	100,687	11,459	242,146
2016	135,000	95,488	10,789	241,277
2017	140,000	90,088	10,094	240,182
2018	150,000	83,087	9,373	242,460
2019	155,000	77,087	8,601	240,688
2020	160,000	70,888	7,802	238,690
2021	165,000	64,488	6,978	236,466
2022	175,000	56,237	6,129	237,366
2023	185,000	47,487	5,227	237,714
2024	195,000	38,238	4,274	237,512
2025	200,000	28,488	3,270	231,758
2026	215,000	18,488	2,240	235,728
2027	220,000	9,350	1,133	230,483
	<u>\$ 2,350,000</u>	<u>\$ 885,788</u>	<u>\$ 99,472</u>	<u>\$ 3,335,260</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

Changes in Long-Term Debt - Enterprise Funds

The following table is a summary of the changes in the Enterprise Fund long-term debt for the year ended September 30, 2013:

	Balance September 30, 2012	Additions	Retirements	Balance September 30, 2013
Revenue Bonds	\$ 5,345,000	\$ -	\$ 435,000	\$ 4,910,000
Premium on bonds	66,325	-	4,738	61,587
	5,411,325	-	439,738	4,971,587
Certificates of Participation				
Series 2012	1,270,963	-	109,185	1,161,778
Series 2012B	-	4,080,000	185,000	3,895,000
Compensated Absences	145,492	19,881	-	165,373
TOTAL	<u>\$ 6,827,780</u>	<u>\$ 4,099,881</u>	<u>\$ 733,923</u>	<u>\$ 10,193,738</u>

Rolla Municipal Utilities

Rolla Municipal Utilities entered into a lease purchase agreement during the year ended September 30, 2005, for construction of water towers and other improvements. The lease agreement calls for varying semi-annual principal payments through 2023 with interest at 3.55%. Current maturity of lease principal is \$120,000.

Rolla Municipal Utilities entered into a lease purchase agreement during the year ended September 30, 2009, for construction of electric power substation, purchase transmission lines and related equipment. The lease agreement calls for varying monthly principal payments through fiscal 2029 with interest at 3.885%. Current maturity of lease principal is \$634,000.

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

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

The total annual minimum lease payments required at September 30, 2013, are as follows:

Year Ended September, 30	Water Towers	Electric Substation	Total
2014	\$ 183,944	\$ 1,096,786	\$ 1,280,730
2015	188,356	1,097,895	1,286,251
2016	187,568	1,099,215	1,286,783
2017	186,278	1,100,423	1,286,701
2018	185,038	1,102,850	1,287,888
2019	183,414	1,104,251	1,287,665
2020	186,526	1,106,665	1,293,191
2021	184,292	1,108,862	1,293,154
2022	186,729	1,110,096	1,296,825
2023	193,624	1,113,137	1,306,761
2024	-	1,113,998	1,113,998
2025	-	1,116,565	1,116,565
2026	-	1,120,899	1,120,899
2027	-	1,122,842	1,122,842
2028	-	1,124,412	1,124,412
2029	-	283,085	283,085
TOTAL MINIMUM LEASE PAYMENTS	1,865,769	16,921,981	18,787,750
LESS AMOUNT REPRESENTING INTEREST	(355,769)	(4,093,981)	(4,449,750)
PRINCIPAL BALANCE SEPTEMBER 30, 2013	<u>\$ 1,510,000</u>	<u>\$ 12,828,000</u>	<u>\$ 14,338,000</u>

The following table is a summary of the changes in the Utility's long-term debt for the year ended September 30, 2013:

Leases Payable, October 1	\$ 15,068,000
Deletions	<u>(730,000)</u>
Leases Payable, September 30	<u>\$ 14,338,000</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

Primary Government

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 12,784,913	\$ -	\$ -	\$ 12,784,913
Construction in progress	53,957	1,340,760	-	1,394,717
Total Non-depreciable Capital Assets	12,838,870	<u>\$ 1,340,760</u>	<u>\$ -</u>	14,179,630
Depreciable Capital Assets:				
Building and improvements	24,901,190	\$ 604,919	\$ -	25,506,109
Machinery and equipment	9,457,219	1,098,489	421,661	10,134,047
Infrastructure	75,464,096	1,068,201	-	76,532,297
Total Depreciable Capital Assets	109,822,505	<u>\$ 2,771,609</u>	<u>\$ 421,661</u>	112,172,453
Less Accumulated Depreciation				
Buildings and improvements	10,488,887	\$ 747,988	\$ -	11,236,875
Machinery and equipment	6,597,592	831,159	390,839	7,037,912
Infrastructure	27,794,610	1,737,256	-	29,531,866
Total Accumulated Depreciation	44,881,089	<u>\$ 3,316,403</u>	<u>\$ 390,839</u>	47,806,653
Total Depreciable Capital Assets, Net	64,941,416			64,365,800
Total Capital Assets - Governmental Activities, Net	<u>\$ 77,780,286</u>			<u>\$ 78,545,430</u>

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE H – CAPITAL ASSETS (continued)

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

Administrative	\$ 153,446
Administrator	1,705
Finance	3,275
Animal shelter	4,718
Police	168,070
Fire	329,927
Building maintenance	8,693
Engineering	4,249
Community development	2,729
Public works	1,909,228
Parks & Recreation	510,392
Airport	218,447
Cemetery	1,524
	<u>\$ 3,316,403</u>

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
Business-Type Activities				
Sewer				
Non-depreciable Capital Assets:				
Land	\$ 337,337	\$ 250,442	\$ -	\$ 587,779
Construction in progress	-	1,092,311	-	1,092,311
Total Non-depreciable Capital Assets	337,337	<u>\$ 1,342,753</u>	<u>\$ -</u>	1,680,090
Depreciable Capital Assets:				
Buildings	1,840,969	\$ -	\$ -	1,840,969
Equipment	1,562,867	129,362	63,170	1,629,059
Sewer collection system	29,295,647	106,921	-	29,402,568
Total Depreciable Capital Assets	32,699,483	<u>\$ 236,283</u>	<u>\$ 63,170</u>	32,872,596
Less Accumulated Depreciation				
Buildings	599,590	\$ 131,601	\$ -	731,191
Equipment	1,461,335	83,820	39,279	1,505,876
Sewer collection system	8,785,498	479,523	-	9,265,021
Total Accumulated Depreciation	10,846,423	<u>\$ 694,944</u>	<u>\$ 39,279</u>	11,502,088
Depreciable Capital Assets, Net	21,853,060			21,370,508

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
Environmental Services				
Non-depreciable Capital Assets:				
CIP	1,195,062	\$ 872,674	\$ 2,067,736	-
Land	670,663	-	-	670,663
Total Non-depreciable Capital Assets	1,865,725	<u>\$ 872,674</u>	<u>\$ 2,067,736</u>	670,663
Depreciable Capital Assets:				
Buildings	826,220	\$ 2,067,736	\$ 3,095	2,890,861
Equipment	2,988,448	187,000	27,500	3,147,948
Total Depreciable Capital Assets	3,814,668	<u>\$ 2,254,736</u>	<u>\$ 30,595</u>	6,038,809
Less Accumulated Depreciation				
Buildings	624,807	\$ 197,762	\$ 3,095	819,474
Equipment	1,979,622	29,854	27,500	1,981,976
Total Accumulated Depreciation	2,604,429	<u>\$ 227,616</u>	<u>\$ 30,595</u>	2,801,450
Depreciable Capital Assets, Net	1,210,239			3,237,359
Total Capital Assets - Business-Type Activities, Net	<u>\$ 25,266,361</u>			<u>\$ 26,958,620</u>

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE H – CAPITAL ASSETS (continued)

Rolla Municipal Utilities

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
Business-Type Activities				
Non-Depreciable Capital Assets:				
Construction in progress	\$ 107,205	\$ 375,182	\$ 482,387	\$ -
Land and easements	2,731,612	8,494	-	2,740,106
Total Non-Depreciable Capital Assets	2,838,817	<u>\$ 383,676</u>	<u>\$ 482,387</u>	2,740,106
Depreciable Capital Assets:				
Buildings and improvements	4,765,679	\$ 55,265	\$ -	4,820,944
Office furniture, fixtures and equipment	976,433	76,004	5,245	1,047,192
Transportation equipment	1,400,964	-	-	1,400,964
Distribution system	56,369,766	1,072,347	81,181	57,360,932
Production system	8,405,855	77,355	16,463	8,466,747
Total Depreciable Capital Assets	71,918,697	<u>\$ 1,280,971</u>	<u>\$ 102,889</u>	73,096,779
Less Accumulated Depreciation for:				
Buildings and improvements	3,034,750	\$ 138,714	\$ -	3,173,464
Office furniture, fixtures & equipment	878,753	42,381	5,245	915,889
Transportation equipment	1,014,899	78,555	-	1,093,454
Distribution system	23,331,971	2,096,916	64,197	25,364,690
Production system	4,624,554	412,198	-	5,036,752
Total Accumulated Depreciation	32,884,927	<u>\$ 2,768,764</u>	<u>\$ 69,442</u>	35,584,249
Total Depreciable Capital Assets, net	<u>39,033,770</u>			<u>37,512,530</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 41,872,587</u>			<u>\$ 40,252,636</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE I – EMPLOYEE PENSION PLAN

Plan Description

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

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

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

Primary Government

Funding Status

Full-time employees of the City of Rolla do not contribute to the pension plan. The June 30th statutorily required contribution rates are 14.8% (General), 9.7% (Police) and 16.9% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

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

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

Annual required contribution	\$ 1,044,771
Interest on net pension obligation	15,160
Adjustment to annual required contribution	<u>(14,294)</u>
Annual pension cost	1,045,637
Actual contributions	<u>998,801</u>
Increase (decrease) in NPO	46,836
NPO beginning of year	<u>209,105</u>
NPO end of year	<u><u>\$ 255,941</u></u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE I – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2010, and February 28, 2011, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2010, was 30 years for the General division, 30 years for the Police division, and 30 years for the Fire division. The amortization period as of February 28, 2011, was 20 years for the General division, 30 years for the Police division, and 20 years for the Fire division.

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 1,064,438	88.5%	\$ 122,410
2012	1,053,285	91.8%	209,105
2013	1,045,637	95.5%	255,941

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2013	\$ 17,416,146	\$ 19,130,975	\$ 1,714,829	91%	\$ 7,098,382	24%

CITY OF ROLLA, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE I – EMPLOYEE PENSION PLAN (continued)

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

Rolla Municipal Utilities

Funding Status

Full-time employees of Rolla Municipal Utilities do not contribute to the pension plan. The June 30th statutorily required contribution rate is 15.1% (General) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost

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

Annual required contribution	\$ 426,540
Interest on net pension obligation	(111,496)
Adjustment to annual required contribution	<u>86,316</u>
Annual pension cost	401,360
Actual contributions	<u>761,279</u>
Increase (decrease) in NPO	(359,919)
NPO beginning of year	<u>(1,537,871)</u>
NPO end of year	<u><u>\$ (1,897,790)</u></u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE I – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2010, and February 28, 2011, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2010, was 15 years for the General division. The amortization period as of February 28, 2011, was 30 years for the General division.

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 362,726	329.0%	\$ (1,230,587)
2012	438,525	170.1%	(1,537,871)
2013	401,360	189.7%	(1,897,790)

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2013	\$ 6,342,297	\$ 8,129,826	\$ 1,787,529	78%	\$ 2,354,550	76%

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE I – EMPLOYEE PENSION PLAN (continued)

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

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

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

	<u>2012</u>
Assessed Valuation	
Real estate	\$ 204,623,246
Personal property	<u>40,669,920</u>
TOTAL	<u>\$ 245,293,166</u>
	<u>2012</u>
Tax Rate Per \$100 of Assessed Valuation	
General levy	\$.4451
Library levy	.1857
Park levy	<u>.1096</u>
TOTAL	<u>\$.7404</u>

The legal debt margin at September 30, 2013, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional debt limit	\$ 24,529,317	\$ 24,529,317	\$ 49,058,634
General Obligation Bonds payable	<u>(3,420,000)</u>	<u>-</u>	<u>(3,420,000)</u>
LEGAL DEBT MARGIN	<u>\$ 21,109,317</u>	<u>\$ 24,529,317</u>	<u>\$ 45,638,634</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

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

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

NOTE K – DEFERRED INFLOWS OF RESOURCES

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred inflows include special assessments to be collected over several years, court fines and taxes. All of the deferred inflows at September 30, 2013, are accounted for as follows:

GENERAL FUND	
Special assessments	\$ 89,783
Court fines	11,444
	<u>101,227</u>
	<u>\$ 101,227</u>
STREET FUND	
Taxes	\$ 7,010
	<u>7,010</u>

NOTE L – RISK MANAGEMENT

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

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE M – SELF INSURANCE

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

The cash transactions of the health care plan are accounted for in the Self-Insurance Health Fund, an internal service fund. At September 30, 2013, the estimated obligation of health claims based on claims filed prior to, but not yet paid, as of year-end, claims incurred during the year but filed subsequent to year-end, and an additional amount for incurred but not reported claims based on prior experience was \$174,760. Changes in estimated benefit obligation during the past year are as follows:

Estimated Benefit Obligation, beginning of year	\$ 81,359
Claims incurred	2,238,713
Claims paid	<u>(2,145,312)</u>
Estimated Benefit Obligation, end of year	<u><u>\$ 174,760</u></u>

NOTE N – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2013, consisted of the following:

	Transfers In (Out)
	<u> </u>
General Fund	\$ 897,005
Street Fund	(464,527)
Parks and Recreation Fund	(68,133)
Airport Fund	256,881
Cemetery Fund	(5,721)
Sewer Fund	(390,340)
Environmental Services Fund	<u>(225,165)</u>
	<u><u>\$ -</u></u>

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

NOTE O – POST-EMPLOYMENT HEALTH CARE PLAN

Primary Government

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

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

Annual OPEB Cost and Net OPEB Obligation – The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB-45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City’s annual OPEB cost for the year ended September 30, 2013:

ARC	\$ 379,700
Interest on net OPEB obligation	25,100
Adjustment to ARC	<u>(24,800)</u>
Annual OPEB cost (expense)	<u><u>\$ 380,000</u></u>

The change in net OPEB obligation was as follows:

Balance September 30, 2012	Annual OPEB Cost	Employer Contributions	Balance September 30, 2013
Net OPEB Obligation			Net OPEB Obligation
<u>\$ 670,200</u>	<u>\$ 380,000</u>	<u>\$ 427,380</u>	<u>\$ 622,820</u>

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

Funding Status and Funding Progress – As a pay-as-you-go plan, the plan was 0% funded at September 30, 2013.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2013	\$ -	\$ 3,696,200	\$ 3,696,200	0%	\$ 7,100,000	52.06%

Actuarial Methods and Assumptions – The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. In the 2013 actuarial valuation, the projected unit credit cost method was used, and the interest rate used for discounting liabilities was 3.75%. The actuarial valuation assumed a medical premium inflation rate based on long term health care trends generated by the Getzen Model. The medical premium inflation rate was 6.20% for 2013, with annual rate reductions to an ultimate rate of 4.5% in 2085. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of 30 years, and the valuation assumed that 50% of all future retirees will elect medical coverage.

NOTE P – RELATED PARTY TRANSACTIONS

Primary Government

Rolla Municipal Utilities provides water and electric services to the City of Rolla. It also provides billing and collection services to the City for PILOT, sewer and sanitation services. The City of Rolla paid RMU a total of \$163,004 in FY 2013 for billing services and \$767,755 for water and electric services.

NOTE Q – RELATED ORGANIZATIONS

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

NOTE R – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the Series 1996E, 2000A, and 2006B Water Pollution Control Revenue Bonds issued to improve and expand the sewer system. The bonds are payable solely from sewer customers net revenues and are payable through 2027. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$6,381,387. Principal and interest paid for the current year and total customer net revenues were \$695,150 and \$1,250,815, respectively.

NOTE S – TAX INCREMENT FINANCING DISTRICTS

The City is committed for the redevelopment of the I-44/US 63 Redevelopment Project Area 1 (RPA1) to reimburse Kohl's Department Stores, Inc (the Developer) for the Verified Reimbursable Redevelopment Project Costs through Reimbursement Payments made from the Special Allocation Fund. There is no debt on the City's part, however, the aggregate amount of Reimbursement Payments paid during the term of the agreement, to the extent that taxes are collected within this District, shall not exceed the sum of \$3,168,488 plus interest costs. The City shall not be obligated for any amounts that exceed the balance in the Special Allocation Fund, which includes a TIF-EATS and a TIF-PILOTS account.

The TIF-EATS account will contain 50% of all Economic Activity Taxes from RPA1. The TIF-PILOTS account will contain all Payments in Lieu of Taxes from RPA1. At September 30, 2013, the balances in the TIF-EATS and TIF-PILOTS accounts are \$117 and \$42,946, respectively.

NOTE T – COMMITMENTS

Primary Government

At September 30, 2013, the City was committed to the following:

- Irvinbilt Constructors, Inc. in the amount of \$1,514,185 for the WWTP Disinfection and Clarifier improvements.
- Phoenix Fabricators and Erectors, Inc. in the amount of \$191,560 for the airport project.
- R.E.Pedrotti Co., Inc. in the amount of \$73,924 for the airport project.
- HDR Engineering, Inc. in the amount of \$35,341 for the WWTP biosolids disposal and lab facilities evaluation.
- Envirodyne Systems, Inc. in the amount of \$29,386 for WWTP Disinfection and Clarifier improvements.
- Phelps County in the amount of \$29,610 in various amounts through 2018 for use of pictometry software.

Landfill Closing Obligation

In January 1995, the City, along with the five other Phelps County Landfill Board members, entered into a "Contract of Obligation" with the Missouri Department of Natural Resources (DNR) to satisfy the financial assurance requirement for landfill operations. The Landfill Board members are obligated to close the landfill in a manner that meets DNR's standards and to properly maintain the closed landfill for 20 years thereafter. If the closure and post-closure is not done properly, the "Contract of Obligation" authorizes DNR to collect \$158,136 from any funds due the members from the Missouri Department of Revenue and the State Treasurer to compensate the State for corrective procedures.

Rolla Municipal Utilities

Pooled Energy

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

NOTE T – COMMITMENTS (continued)

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

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

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

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

The net power cost charges by MoPEP to RMU for the year ended September 30, 2013, was \$20,177,792.

CITY OF ROLLA, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE U – RESTATEMENT

During the year ended September 30, 2013, the City adopted the provisions of GASB Statement Number 65 – *Items Previously Reported as Assets and Liabilities*. Net position has been restated as follows:

Governmental Activities

Net Position, as previously stated, September 30, 2012	\$ 74,966,249
Bond issuance costs	<u>(161,603)</u>
Net Position, as restated, October 1, 2012	<u><u>\$ 74,804,646</u></u>

Sewer Fund

Net Position, as previously stated, September 30, 2012	\$ 17,965,370
Bond issuance costs	<u>(85,173)</u>
Net Position, as restated, October 1, 2012	<u><u>\$ 17,880,197</u></u>

Business-type Activities

Net Position, as previously stated, September 30, 2012	\$ 22,577,230
Bond issuance costs	<u>(85,173)</u>
Net Position, as restated, October 1, 2012	<u><u>\$ 22,492,057</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROLLA, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended September 30, 2013

Missouri Local Government Employees Retirement System (LAGERS)

Primary Government

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2011	\$ 15,817,254	\$ 18,835,759	\$ 3,018,505	84%	\$ 7,513,276	40%
2/29/2012	16,527,859	18,970,096	2,442,237	87%	7,284,431	34%
2/28/2013	17,416,146	19,130,975	1,714,829	91%	7,098,382	24%

Rolla Municipal Utilities

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2011	\$ 4,863,025	\$ 7,615,872	\$ 2,752,847	64%	\$ 2,284,709	120%
2/29/2012	5,472,110	7,773,580	2,301,470	70%	2,393,464	96%
2/28/2013	6,342,297	8,129,826	1,787,529	78%	2,354,550	76%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 29, 2011, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF ROLLA, MISSOURI
 SCHEDULE OF FUNDING PROGRESS (continued)
 Year Ended September 30, 2013

Post-Employment Health Care Plan

Primary Government

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
9/30/2009	\$ -	\$ 2,157,700	\$ 2,157,700	0%	Not available	Not available
9/30/2011	-	2,705,800	2,705,800	0%	Not available	Not available
9/30/2013	-	3,696,200	3,696,200	0%	\$ 7,100,000	52.06%

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 926,500	\$ 926,500	\$ 929,655	\$ 3,155
City sales tax	3,802,000	3,802,000	3,790,517	(11,483)
Utility franchise tax	693,000	693,000	712,253	19,253
Motor vehicle tax	115,000	115,000	128,493	13,493
Payment in lieu of taxes	1,520,600	1,520,600	1,453,441	(67,159)
Lodging tax	315,000	315,000	284,635	(30,365)
Cigarette tax	120,000	120,000	118,131	(1,869)
	<u>7,492,100</u>	<u>7,492,100</u>	<u>7,417,125</u>	<u>(74,975)</u>
Licenses and Permits				
Occupational licenses	52,000	52,000	48,618	(3,382)
Building permits	65,000	65,000	99,933	34,933
Other	36,700	36,700	35,686	(1,014)
	<u>153,700</u>	<u>153,700</u>	<u>184,237</u>	<u>30,537</u>
Intergovernmental Revenues				
Landfill	10,200	10,200	10,000	(200)
RREC	115,000	115,000	113,049	(1,951)
PCESB	1,303,000	1,303,000	1,011,420	(291,580)
Library	207,750	207,750	198,339	(9,411)
Grants	170,000	170,000	149,932	(20,068)
Other	184,000	184,000	207,226	23,226
	<u>1,989,950</u>	<u>1,989,950</u>	<u>1,689,966</u>	<u>(299,984)</u>
Charges for Services				
Fire dues and assessments	52,125	52,125	51,974	(151)
Fines and Forfeitures				
City court fines	175,000	175,000	167,520	(7,480)
Police training fees	5,500	5,500	5,947	447
	<u>180,500</u>	<u>180,500</u>	<u>173,467</u>	<u>(7,033)</u>
Miscellaneous				
Lease and rent income	8,000	8,000	6,513	(1,487)
Interest income	50,000	50,000	64,731	14,731
Animal shelter	16,000	16,000	16,915	915
Other	31,520	31,520	37,262	5,742
	<u>105,520</u>	<u>105,520</u>	<u>125,421</u>	<u>19,901</u>
TOTAL REVENUES	9,973,895	9,973,895	9,642,190	(331,705)

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	628,750	628,750	574,367	54,383
Administrator	391,265	391,265	380,028	11,237
Finance	476,190	476,190	491,829	(15,639)
Legal services	62,630	62,630	62,643	(13)
City court	78,845	78,845	73,852	4,993
911 telecommunications	1,293,112	1,293,112	1,005,739	287,373
Animal shelter	141,755	141,755	136,293	5,462
Police	3,133,026	3,133,026	3,167,476	(34,450)
Fire	3,053,770	3,053,770	2,990,786	62,984
Building maintenance	84,125	84,125	89,321	(5,196)
Engineering	699,928	699,928	689,843	10,085
Community development	407,540	407,540	386,724	20,816
Library	205,250	205,250	193,976	11,274
Economic development	208,450	208,450	195,322	13,128
TOTAL EXPENDITURES	10,864,636	10,864,636	10,438,199	426,437
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	(890,741)	(890,741)	(796,009)	94,732
OTHER FINANCING SOURCES (USES)				
Lease proceeds	450,000	450,000	455,274	5,274
Operating transfers in	1,102,183	1,102,183	1,323,886	221,703
Operating transfers (out)	(509,726)	(509,726)	(426,881)	82,845
TOTAL OTHER FINANCING SOURCES (USES)	1,042,457	1,042,457	1,352,279	309,822
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	151,716	151,716	556,270	404,554
FUND BALANCE, October 1	2,278,376	1,970,697	1,970,697	-
FUND BALANCE, September 30	<u>\$ 2,430,092</u>	<u>\$ 2,122,413</u>	<u>\$ 2,526,967</u>	<u>\$ 404,554</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 4,370,000	\$ 4,370,000	\$ 4,365,441	\$ (4,559)
Intergovernmental revenues	313,960	313,960	144,543	(169,417)
Charges for services	101,000	101,000	96,700	(4,300)
Interest income	3,000	3,000	5,119	2,119
Miscellaneous	117,500	28,500	34,295	5,795
TOTAL REVENUES	4,905,460	4,816,460	4,646,098	(170,362)
EXPENDITURES				
Current				
Street	2,794,943	2,609,476	2,672,456	(62,980)
Capital improvements	1,890,582	1,878,821	1,689,578	189,243
Debt service				
Principal and interest	619,000	844,000	571,476	272,524
TOTAL EXPENDITURES	5,304,525	5,332,297	4,933,510	398,787
(DEFICIT) OF REVENUES OVER EXPENDITURES	(399,065)	(515,837)	(287,412)	228,425
OTHER FINANCING SOURCES (USES)				
Lease proceeds	462,600	340,521	340,521	-
Operating transfers (out)	(464,527)	(464,527)	(464,527)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,927)	(124,006)	(124,006)	-
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(400,992)	(639,843)	(411,418)	228,425
FUND BALANCE, October 1	852,404	817,193	817,193	-
FUND BALANCE, September 30	<u>\$ 451,412</u>	<u>\$ 177,350</u>	<u>\$ 405,775</u>	<u>\$ 228,425</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARKS AND RECREATION FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 2,127,200	\$ 2,127,200	\$ 2,124,033	\$ (3,167)
Charges for services	1,344,900	1,344,900	1,219,657	(125,243)
Interest income	82,000	82,000	80,384	(1,616)
Miscellaneous	18,700	18,700	30,135	11,435
TOTAL REVENUES	<u>3,572,800</u>	<u>3,572,800</u>	<u>3,454,209</u>	<u>(118,591)</u>
EXPENDITURES				
Current				
Guest services	210,570	210,570	215,588	(5,018)
Recreation	125,700	125,700	127,721	(2,021)
Aquatic	215,450	725,450	723,526	1,924
Fitness	144,950	144,950	148,959	(4,009)
Administration	656,750	656,750	491,921	164,829
Maintenance	311,500	311,500	307,803	3,697
Parks department	610,200	610,200	593,701	16,499
SplashZone	122,200	122,200	123,893	(1,693)
Outdoor recreation	115,225	115,225	120,645	(5,420)
TOTAL EXPENDITURES	<u>2,512,545</u>	<u>3,022,545</u>	<u>2,853,757</u>	<u>168,788</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,060,255	550,255	600,452	50,197
OTHER FINANCING SOURCES (USES)				
Operating transfers in	207,000	207,000	255,721	48,721
Operating transfers (out)	(102,151)	(102,151)	(323,854)	(221,703)
TOTAL OTHER FINANCING SOURCES (USES)	<u>104,849</u>	<u>104,849</u>	<u>(68,133)</u>	<u>(172,982)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	1,165,104	655,104	532,319	(122,785)
FUND BALANCE, October 1	<u>3,262,560</u>	<u>3,181,048</u>	<u>3,181,048</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 4,427,664</u>	<u>\$ 3,836,152</u>	<u>\$ 3,713,367</u>	<u>\$ (122,785)</u>

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – AIRPORT FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Intergovernmental revenue	\$ 582,000	\$ 1,615,450	\$ 916,396	\$ (699,054)
Charges for services	354,420	354,420	302,213	(52,207)
Interest income	500	10,000	11,439	1,439
Miscellaneous	4,000	4,000	7,534	3,534
TOTAL REVENUES	940,920	1,983,870	1,237,582	(746,288)
EXPENDITURES				
Current				
Airport	2,104,915	2,082,325	1,829,471	252,854
TOTAL EXPENDITURES	2,104,915	2,082,325	1,829,471	252,854
(DEFICIT) OF REVENUES OVER EXPENDITURES	(1,163,995)	(98,455)	(591,889)	(493,434)
OTHER FINANCING SOURCES (USES)				
Lease proceeds	335,000	-	-	-
Operating transfers in	615,000	146,400	389,726	243,326
Operating transfers (out)	(130,520)	(130,520)	(132,845)	(2,325)
TOTAL OTHER FINANCING SOURCES (USES)	819,480	15,880	256,881	241,001
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(344,515)	(82,575)	(335,008)	(252,433)
FUND BALANCE, October 1	527,144	688,874	688,874	-
FUND BALANCE, September 30	\$ 182,629	\$ 606,299	\$ 353,866	\$ (252,433)

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CEMETERY FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services	\$ 6,000	\$ 6,000	\$ 10,700	\$ 4,700
Interest income	6,600	6,600	5,721	(879)
TOTAL REVENUES	12,600	12,600	16,421	3,821
EXPENDITURES				
Current				
Cemetery	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	12,600	12,600	16,421	3,821
OTHER FINANCING (USES)				
Operating transfers (out)	(6,600)	(6,600)	(5,721)	879
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING (USES)	6,000	6,000	10,700	4,700
FUND BALANCE, October 1	262,580	277,470	277,470	-
FUND BALANCE, September 30	\$ 268,580	\$ 283,470	\$ 288,170	\$ 4,700

CITY OF ROLLA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK LAND RESERVE FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Interest income	\$ 450	\$ 450	\$ 265	\$ (185)
Miscellaneous	-	-	21,566	21,566
TOTAL REVENUES	450	450	21,831	21,381
EXPENDITURES				
Current				
Park	-	61,000	60,906	94
TOTAL EXPENDITURES	-	61,000	60,906	94
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	450	(60,550)	(39,075)	21,475
FUND BALANCE, October 1	105,101	104,410	104,410	-
FUND BALANCE, September 30	<u>\$ 105,551</u>	<u>\$ 43,860</u>	<u>\$ 65,335</u>	<u>\$ 21,475</u>

CITY OF ROLLA, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2013

Budgets and Budgetary Accounting

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

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

OTHER FINANCIAL INFORMATION



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, and each major fund of the City of Rolla, Missouri, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Rolla, Missouri's basic financial statements, and have issued our report thereon, dated April 4, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Rolla, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rolla, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Rolla, Missouri's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rolla, Missouri's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
April 4, 2014



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

Compliance

We have audited the City of Rolla, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended September 30, 2013. The City of Rolla, Missouri's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the City of Rolla, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination on the City of Rolla, Missouri's compliance.

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Honorable Mayor and City Council
City of Rolla
Rolla, Missouri

Opinion on Each Major Federal Program

In our opinion, the City of Rolla, Missouri complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2013.

Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
April 4, 2014

CITY OF ROLLA, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013

Federal Grantor Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number/ Other Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
State Emergency Management Agency Homeland Security Grant Program	97.067	N/A	\$ 40,071
Meramec Regional Planning Commission Homeland Security Grant Program	97.067	N/A	<u>11,248</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			51,319
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Missouri Department of Economic Development Community Development Block Grant	14.228	00-PF-759	<u>3,862</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			3,862
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Missouri Department of Transportation Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	13-PT-02-053	5,665
University of Central Missouri Highway Safety Cluster Child Safety and Child Booster Seat Incentive Grants	20.613	13-K3-05-003	731
State and Community Highway Safety	20.600	13-OP-05-008 13-OP-05-003	278 1,482
Missouri Department of Transportation Airport Improvement Program	20.106	12-056A-1	367,217
Transportation Enhancement Funds	20.205	STP-9900 (931)	889
University of Central Missouri Alcohol Open Container Requirements	20.607	13-154-AL-060 13-154-AL-074	13,907 <u>741</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			390,910
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Missouri Department of Public Safety Bulletproof Vest Partnership Program	16.607	N/A	<u>2,845</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			2,845
<u>U.S. DEPARTMENT OF TREASURY</u>			
Direct Equitable Sharing of Seized Property	21.000	N/A	<u>56,635</u>
TOTAL U.S. DEPARTMENT OF TREASURY			56,635

CITY OF ROLLA, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
 Year Ended September 30, 2013

Federal Grantor Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number/ Other Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Direct			
Investment for Public Works and Economic Development Facilities	11.300	05-01-05328	498,911
Missouri Office of Homeland Security			
Public Safety Interoperable Communications Grant Program	11.555	N/A	<u>9,913</u>
TOTAL U.S. DEPARTMENT OF COMMERCE			508,824
<u>DELTA REGIONAL AUTHORITY</u>			
Direct			
Delta Regional Development Grant	90.200	MO-10061	<u>135,554</u>
TOTAL DELTA REGIONAL AUTHORITY			135,554
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Missouri Department of Natural Resources			
Nonpoint Source Implementation Grant	66.460	G11-NPS-22	<u>8,100</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>8,100</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,158,049</u>

N/A - Not Applicable

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF ROLLA, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013

A. SUMMARY OF AUDIT RESULTS

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

Investments for Public Works and Economic Development Facilities	11.300
Airport Improvement Program	20.106
8. The threshold for determining Type A programs was \$300,000.
9. The City of Rolla, Missouri was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None noted

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

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

CITY OF ROLLA, MISSOURI
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2013

There were no prior year audit findings.