

CITY OF BOLIVAR, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2010

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Bolivar
Bolivar, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bolivar, Missouri, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bolivar, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bolivar, Missouri, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Board of Aldermen
City of Bolivar
Bolivar, Missouri

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bolivar, Missouri's basic financial statements. The accompanying other financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2010, and in our opinion, is fairly stated in all material respects, in relation to the respective basic financial statements taken as a whole.

Davis, Lynn: Moots, PC

DAVIS, LYNN & MOOTS, P.C.
March 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2010

The management's discussion and analysis of the City of Bolivar's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2010. Please read it in conjunction with the City's financial statements, which begin on page 14.

Financial Highlights

- The net assets of the City's governmental activities increased by \$299,323 or 3% for the year as a result of current year activities. The net assets of the City's business activities increased by \$63,553 or 1% for the year.
- The assets of the City exceeded its liabilities as of December 31, 2010, by \$20.5 million (net assets). Of this amount, \$2.3 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City increased by \$5,232,559 during the year primarily due to issuance of Certificates of Participation for a new aquatic center.
- During this fiscal year the City received grants from the following sources:
 - Bulletproof Vest grant totaled \$1,803.
 - STEP grant for the Police Department totaled \$3,000 on the Traffic Enforcement Program, \$342 on the Child Safety Program, \$512 on the Click It or Ticket Program, and \$359 on the Safe Teen Program.
 - DWI grant, which totaled \$12,739.
 - The Police Department received \$8,186 from the LLEBG grant for the purchase of radio equipment, software, and gloves.
 - The Police Department received \$7,676 from the Missouri Department of Public Safety on the Underage Drinking Program (EUDL).
 - The Airport received \$5,917 from the Missouri Department of Transportation grant on the AWOS Program and \$18,790 on the Pavement Improvement Program.
 - The Fire Department received \$18,251 from the Safer Grant Program.
- The City received contributed money and donations to fund the following programs:
 - Bolivar Charitable Trust contributed \$6,076 for recreational facilities and \$24,304 split between Fire, Police, Street, Water and Sewer Departments.
 - Dunnegan Trust contributed \$28,149 for parks operations and \$29,079 for cemeteries.
 - The City received \$181,760 from the Special Road District.

Using This Annual Report

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2010

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2010

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

NET ASSETS

The following table presents the condensed Statement of Net Assets for the City as of December 31, 2010 and 2009:

| | Governmental Activities | Business-Type Activities | Total December 31, 2010 | Total December 31, 2009 |
|-----------------------------------|----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Current and other assets | \$ 8,436,171 | \$ 741,956 | \$ 9,178,127 | \$ 3,058,523 |
| Capital assets | 11,846,008 | 10,395,970 | 22,241,978 | 22,503,339 |
| TOTAL ASSETS | 20,282,179 | 11,137,926 | 31,420,105 | 25,561,862 |
| Other liabilities | 1,032,457 | 728,224 | 1,760,681 | 1,497,873 |
| Long-term liabilities outstanding | 6,995,343 | 2,157,757 | 9,153,100 | 3,920,541 |
| TOTAL LIABILITIES | 8,027,800 | 2,885,981 | 10,913,781 | 5,418,414 |
| Net assets: | | | | |
| Invested in capital assets | | | | |
| net of related debt | 10,299,999 | 7,706,798 | 18,006,797 | 17,766,409 |
| Restricted | 91,873 | 157,064 | 248,937 | 164,023 |
| Unrestricted | 1,862,507 | 388,083 | 2,250,590 | 2,213,016 |
| TOTAL NET ASSETS | \$ 12,254,379 | \$ 8,251,945 | \$ 20,506,324 | \$ 20,143,448 |

Total net assets of the City increased by \$362,876 for the year due to current year activities. Total liabilities for the City have increased by \$5,495,367. Restricted net assets of the City totaled \$248,937 as of December 31, 2010. This amount represents monies that are restricted for debt service and cemetery donations.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2010

CHANGES IN NET ASSETS

| | Governmental Activities | Business-Type Activities | Total Year Ended December 31, 2010 | Total Year Ended December 31, 2009 |
|---|----------------------------|-----------------------------|---|---|
| REVENUES | | | | |
| Program Revenues | | | | |
| Charges for services | \$ 432,705 | \$ 3,073,963 | \$ 3,506,668 | \$ 3,435,686 |
| Operating grants and contributions | 243,927 | - | 243,927 | 255,983 |
| Capital grants and contributions | 148,652 | - | 148,652 | 268,551 |
| General Revenues | | | | |
| Sales tax | 3,773,341 | - | 3,773,341 | 3,675,321 |
| Motor vehicle tax | 349,807 | - | 349,807 | 338,930 |
| Other taxes | 29,733 | - | 29,733 | 26,829 |
| Franchise fees | 178,828 | - | 178,828 | 166,686 |
| Interest | 13,530 | 19,286 | 32,816 | 42,823 |
| Other revenue | 343,568 | - | 343,568 | 293,438 |
| Transfers | (215,502) | 215,502 | - | - |
| TOTAL REVENUES AND TRANSFERS | 5,298,589 | 3,308,751 | 8,607,340 | 8,504,247 |
| EXPENSES | | | | |
| Administrative | 761,832 | - | 761,832 | 924,336 |
| Public safety | 1,579,480 | - | 1,579,480 | 1,642,979 |
| Municipal Court | 165,078 | - | 165,078 | 179,315 |
| Animal pound | 64,489 | - | 64,489 | 79,859 |
| Recreation and parks | 388,895 | - | 388,895 | 357,265 |
| Fire | 514,117 | - | 514,117 | 498,711 |
| Cemetery | 179,586 | - | 179,586 | 191,005 |
| Transportation | 1,263,386 | - | 1,263,386 | 1,055,487 |
| Economic development | 7,077 | - | 7,077 | 1,356 |
| Other | 72 | - | 72 | 382 |
| Debt service | 75,254 | - | 75,254 | 95,523 |
| Water and sewer | - | 3,245,198 | 3,245,198 | 3,087,482 |
| TOTAL EXPENSES | 4,999,266 | 3,245,198 | 8,244,464 | 8,113,700 |
| INCREASE IN NET ASSETS | \$ 299,323 | \$ 63,553 | \$ 362,876 | \$ 390,547 |

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2010

Governmental Activities

Governmental activities increased the net assets of the City by \$299,323. Tax revenues for the City were \$4,331,709 which represents 79% of the funding of these activities. Program revenues for the functions totaled \$825,284 or 15% 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 BOLIVAR'S
GOVERNMENTAL ACTIVITIES**

| | Total Cost of Services | Net Cost of Services |
|----------------------|---------------------------|-------------------------|
| Administrative | \$ 761,832 | \$ 682,202 |
| Public safety | 1,579,480 | 1,306,372 |
| Municipal court | 165,078 | 165,078 |
| Animal pound | 64,489 | 55,226 |
| Recreation and parks | 388,895 | 384,675 |
| Fire | 514,117 | 495,866 |
| Cemetery | 179,586 | 140,473 |
| Transportation | 1,263,386 | 861,687 |
| Economic development | 7,077 | 7,077 |
| Other | 72 | 72 |
| Debt service | 75,254 | 75,254 |
| | <u>\$ 4,999,266</u> | <u>\$ 4,173,982</u> |

Business-Type Activities

Business-type activities increased the City's net assets by \$63,553. This is down from the increase received last year from the City's business-type activities. The increase incurred in the prior year was \$507,427.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2010, were \$7.8 million. The General Fund increased by \$213,878. The Street Fund increased by \$119,052. The ½ Cent Capital Improvement Fund increased by \$6,780. The Recreation Facility Fund increased by \$5,620,641.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2010**

General Fund Budgetary Highlights

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

- The original revenue budget of \$2,448,300 was not amended during the year.
- The original expenditures budget of \$2,478,335 was increased to \$2,703,335.
- Budget adjustments were presented and approved by the Board of Aldermen. Budgeted revenues were \$10,564 below actual, and budgeted expenditures were \$293,188 above actual.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$11,846,008 (net of accumulated depreciation) as of December 31, 2010. This represents a \$101,738 decrease from the prior year. Capital assets for business-type activities were \$10,395,970 as of December 31, 2010. This represents a decrease of \$159,623 from the prior year.

Debt

Total debt of the governmental activities as of December 31, 2010, was \$7,529,521, which is up \$5,719,992 from the prior year primarily due to the issuance of Certificates of Participation for a new aquatic center.

Total debt of the business-type activities as of December 31, 2010, was \$2,693,443, which is down \$276,439 from the prior year.

Economic Factors and Next Year's Budget

In the 2010 budget, General Fund revenues are budgeted to decrease approximately 1% from the 2009 budget year with the general (1%) sales tax making up 62% of the General Fund budgeted revenues. The City's budget has been affected by the slow-down in economic growth in the past few years. Sales tax receipts decreased by an average of 2.8% and continue to decline; and vehicle tax receipts decreased by an average of 6.5%. These revenue sources are the most volatile and subject to decline if the current economic slowdown continues. The City's idle funds are invested in certificates of deposit to obtain the maximum return on funds.

Due to environmental issues and meeting EPA requirements, the City will accrue considerable cost in the next several years to bring the collection and treatment facilities up to standard and this will impact future budgets. The City's revenue bonds retirement date is 2013 and 26% of the capital lease debt will also be retired by 2013.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2010**

Contacting the City's Financial Management

For additional information or questions, please contact any of the following officers at:

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Ron Mersch, City Administrator
Darla Langford, City Clerk

CITY OF BOLIVAR, MISSOURI
STATEMENT OF NET ASSETS
December 31, 2010

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|----------------------|----------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Industrial Development Authority |
| ASSETS | | | | |
| Current | | | | |
| Cash and investments | \$ 1,482,554 | \$ 302,994 | \$ 1,785,548 | \$ 127,246 |
| Taxes receivable | 673,665 | - | 673,665 | - |
| Court fines receivable, net | 24,660 | - | 24,660 | - |
| Intergovernmental receivable | 2,995 | - | 2,995 | - |
| Utilities receivable, net | - | 231,606 | 231,606 | - |
| Other accounts receivable | 66,789 | - | 66,789 | - |
| Prepaid expenses | 57,981 | 45,557 | 103,538 | - |
| Noncurrent | | | | |
| Restricted cash and cash equivalents | 5,937,812 | 41,541 | 5,979,353 | - |
| Restricted investments | 91,873 | 115,523 | 207,396 | - |
| Deferred debt issue costs | 97,842 | 4,735 | 102,577 | - |
| Capital Assets: | | | | |
| Non-depreciable | 1,015,971 | - | 1,015,971 | 554,725 |
| Depreciable, net | 10,830,037 | 10,395,970 | 21,226,007 | - |
| TOTAL ASSETS | 20,282,179 | 11,137,926 | 31,420,105 | 681,971 |
| LIABILITIES | | | | |
| Current | | | | |
| Accounts payable | 268,124 | 25,042 | 293,166 | - |
| Accrued expenses | 71,407 | 34,069 | 105,476 | - |
| Customer deposits payable | 1,835 | 121,478 | 123,313 | - |
| Court bonds payable | 26,913 | - | 26,913 | - |
| Accrued interest payable | - | 11,949 | 11,949 | - |
| Line of credit payable | 130,000 | - | 130,000 | - |
| Current portion of long-term debt | 534,178 | 535,686 | 1,069,864 | - |
| | 1,032,457 | 728,224 | 1,760,681 | - |
| Noncurrent | | | | |
| Capital leases payable | 928,955 | 1,778,486 | 2,707,441 | - |
| Certificates of participation payable | 5,991,940 | - | 5,991,940 | - |
| Revenue bonds payable | - | 375,000 | 375,000 | - |
| Post employment pension liability | 36,583 | - | 36,583 | - |
| Compensated absences | 37,865 | 4,271 | 42,136 | - |
| | 6,995,343 | 2,157,757 | 9,153,100 | - |
| TOTAL LIABILITIES | 8,027,800 | 2,885,981 | 10,913,781 | - |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 10,299,999 | 7,706,798 | 18,006,797 | - |
| Restricted | 91,873 | 157,064 | 248,937 | - |
| Unrestricted | 1,862,507 | 388,083 | 2,250,590 | 681,971 |
| TOTAL NET ASSETS | \$ 12,254,379 | \$ 8,251,945 | \$ 20,506,324 | \$ 681,971 |

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2010

| Functions/Programs | Program Revenues | | | | Net (Expenses), Revenues and Changes in Net Assets | | | Component Unit |
|----------------------------------|-----------------------|--------------------------------------|------------------------------------|----------------------------------|--|--------------------------|----------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | |
| | | | | | | | | |
| Primary Government | | | | | | | | Industrial Development Authority |
| Governmental Activities | | | | | | | | |
| Administrative | \$ (761,832) | \$ 79,630 | \$ - | \$ - | \$ (682,202) | \$ - | \$ (682,202) | \$ - |
| Public safety | (1,579,480) | 200,009 | 40,802 | 32,297 | (1,306,372) | - | (1,306,372) | - |
| Municipal court | (165,078) | - | - | - | (165,078) | - | (165,078) | - |
| Animal pound | (64,489) | 8,487 | 776 | - | (55,226) | - | (55,226) | - |
| Recreation and parks | (388,895) | 4,220 | - | - | (384,675) | - | (384,675) | - |
| Fire | (514,117) | - | 18,251 | - | (495,866) | - | (495,866) | - |
| Cemetery | (179,586) | 36,775 | 2,338 | - | (140,473) | - | (140,473) | - |
| Transportation | (1,263,386) | 103,584 | 181,760 | 116,355 | (861,687) | - | (861,687) | - |
| Economic development | (7,077) | - | - | - | (7,077) | - | (7,077) | - |
| Other | (72) | - | - | - | (72) | - | (72) | - |
| Debt service | (75,254) | - | - | - | (75,254) | - | (75,254) | - |
| TOTAL GOVERNMENTAL ACTIVITIES | (4,999,266) | 432,705 | 243,927 | 148,652 | (4,173,982) | - | (4,173,982) | - |
| Business-Type Activities | | | | | | | | |
| Water and Sewer | (3,245,198) | 3,073,963 | - | - | - | (171,235) | (171,235) | - |
| TOTAL BUSINESS-TYPE ACTIVITIES | (3,245,198) | 3,073,963 | - | - | - | (171,235) | (171,235) | - |
| TOTAL PRIMARY GOVERNMENT | <u>\$ (8,244,464)</u> | <u>\$ 3,506,668</u> | <u>\$ 243,927</u> | <u>\$ 148,652</u> | <u>(4,173,982)</u> | <u>(171,235)</u> | <u>(4,345,217)</u> | <u>-</u> |
| Component Unit | | | | | | | | |
| Industrial Development Authority | <u>\$ (720)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(720)</u> |
| General Revenues: | | | | | | | | |
| | | Sales taxes | | | 3,773,341 | - | 3,773,341 | - |
| | | Motor vehicle taxes | | | 349,807 | - | 349,807 | - |
| | | Other taxes | | | 29,733 | - | 29,733 | - |
| | | Franchise fees | | | 178,828 | - | 178,828 | - |
| | | Interest | | | 13,530 | 19,286 | 32,816 | 827 |
| | | Other revenue | | | 343,568 | - | 343,568 | - |
| | | Transfers | | | (215,502) | 215,502 | - | - |
| | | Total General Revenues and Transfers | | | 4,473,305 | 234,788 | 4,708,093 | 827 |
| | | Changes in Net Assets | | | 299,323 | 63,553 | 362,876 | 107 |
| | | Net Assets, Beginning of year | | | 11,955,056 | 8,188,392 | 20,143,448 | 681,864 |
| | | Net Assets, End of year | | | <u>\$ 12,254,379</u> | <u>\$ 8,251,945</u> | <u>\$ 20,506,324</u> | <u>\$ 681,971</u> |

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2010

| | General Fund | Street Fund | 1/2 Cent Capital Improvement Fund | Recreation Facility Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|-------------------|--|--------------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and investments - unrestricted | \$ 54,160 | \$ 536,919 | \$ 110,730 | \$ 183 | \$ 780,562 | \$ 1,482,554 |
| Taxes receivable | 274,826 | 131,003 | 137,413 | 64,925 | 65,498 | 673,665 |
| Court fines receivable, net | 24,660 | - | - | - | - | 24,660 |
| Intergovernmental receivable | - | - | - | - | 2,995 | 2,995 |
| Other accounts receivable | 62,920 | 744 | - | 1,517 | 1,608 | 66,789 |
| Prepaid expenses | 38,309 | 7,248 | - | 8,283 | 4,141 | 57,981 |
| Restricted cash and cash equivalents | 176,913 | - | - | 5,759,064 | 1,835 | 5,937,812 |
| Restricted investments | - | - | - | - | 91,873 | 91,873 |
| TOTAL ASSETS | \$ 631,788 | \$ 675,914 | \$ 248,143 | \$ 5,833,972 | \$ 948,512 | \$ 8,338,329 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 46,920 | \$ 1,870 | \$ - | \$ 205,057 | \$ 14,277 | \$ 268,124 |
| Accrued expenses | 53,351 | 6,280 | - | 3,071 | 8,705 | 71,407 |
| Customer deposits payable | - | - | - | - | 1,835 | 1,835 |
| Court bonds payable | 26,913 | - | - | - | - | 26,913 |
| Deferred revenue | 24,611 | - | - | - | - | 24,611 |
| Line of credit payable | 130,000 | - | - | - | - | 130,000 |
| TOTAL LIABILITIES | 281,795 | 8,150 | - | 208,128 | 24,817 | 522,890 |
| Fund Balances | | | | | | |
| Reserved for: | | | | | | |
| Cemetery | - | - | - | - | 91,873 | 91,873 |
| Capital outlay | 150,000 | - | - | 5,759,064 | - | 5,909,064 |
| Unreserved, reported in: | | | | | | |
| General Fund | 199,993 | - | - | - | - | 199,993 |
| Special Revenue Fund | - | 667,764 | 248,143 | (133,220) | 481,699 | 1,264,386 |
| Permanent Funds | - | - | - | - | 350,123 | 350,123 |
| TOTAL FUND BALANCES | 349,993 | 667,764 | 248,143 | 5,625,844 | 923,695 | 7,815,439 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 631,788 | \$ 675,914 | \$ 248,143 | \$ 5,833,972 | \$ 948,512 | \$ 8,338,329 |

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET ASSETS
December 31, 2010

| | |
|--|-----------------------------|
| Fund balance - total governmental funds | \$ 7,815,439 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds: | |
| Governmental capital assets | 17,314,918 |
| Less accumulated depreciation | <u>(5,468,910)</u> |
| | 11,846,008 |
| Adjutment of deferred revenue | 24,611 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds | (7,492,938) |
| Unamortized issuance costs on debt | <u>97,842</u> |
| Net assets of governmental activities | <u><u>\$ 12,290,962</u></u> |

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended December 31, 2010

| REVENUES | General Fund | Street Fund | 1/2 Cent Capital Improvement Fund | Recreation Facility Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|------------------|------------------|---|--------------------------------|-----------------------------------|--------------------------------|
| Taxes | \$ 1,881,270 | \$ 1,134,260 | \$ 836,275 | \$ 87,794 | \$ 392,110 | \$ 4,331,709 |
| Licenses and permits | 74,287 | - | - | - | - | 74,287 |
| Charges for services | - | 318 | - | - | 133,381 | 133,699 |
| Intergovernmental revenues | 73,099 | 88,653 | - | - | 227,713 | 389,465 |
| Fines and forfeitures | 185,931 | - | - | - | - | 185,931 |
| Interest | 5,716 | 537 | - | - | 7,277 | 13,530 |
| Other | 238,561 | 14,628 | - | 36,199 | 96,082 | 385,470 |
| TOTAL REVENUES | 2,458,864 | 1,238,396 | 836,275 | 123,993 | 856,563 | 5,514,091 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Administrative | 626,729 | - | - | - | - | 626,729 |
| Public safety | 1,554,018 | - | - | - | - | 1,554,018 |
| Municipal court | 164,911 | - | - | - | - | 164,911 |
| Animal pound | 64,489 | - | - | - | - | 64,489 |
| Recreation and parks | - | - | - | 623,149 | 2,894 | 626,043 |
| Fire | - | - | - | - | 420,785 | 420,785 |
| Cemetery | - | - | - | - | 170,360 | 170,360 |
| Transportation | - | 932,019 | - | - | 217,683 | 1,149,702 |
| Economic development | - | - | - | - | 7,077 | 7,077 |
| Other | - | - | - | - | 72 | 72 |
| Debt Service | | | | | | |
| Principal and interest | - | 322,325 | - | 445,901 | 172,966 | 941,192 |
| TOTAL EXPENDITURES | 2,410,147 | 1,254,344 | - | 1,069,050 | 991,837 | 5,725,378 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | | | | | | |
| | 48,717 | (15,948) | 836,275 | (945,057) | (135,274) | (211,287) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfer in (out) | 15,161 | 135,000 | (829,495) | 265,698 | 198,134 | (215,502) |
| Lease proceeds | 150,000 | - | - | 6,300,000 | - | 6,450,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | 165,161 | 135,000 | (829,495) | 6,565,698 | 198,134 | 6,234,498 |
| EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES) | | | | | | |
| | 213,878 | 119,052 | 6,780 | 5,620,641 | 62,860 | 6,023,211 |
| FUND BALANCE, January 1 | 136,115 | 548,712 | 241,363 | 5,203 | 860,835 | 1,792,228 |
| FUND BALANCE, December 31 | \$ 349,993 | \$ 667,764 | \$ 248,143 | \$ 5,625,844 | \$ 923,695 | \$ 7,815,439 |

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2010

Net change in fund balances - total governmental funds \$ 6,023,211

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

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

| | |
|----------------|------------------|
| Capital outlay | 519,773 |
| Depreciation | (621,511) |
| | <u>(101,738)</u> |

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.

| | |
|---|--------------------|
| Certificate of participation proceeds | (6,450,000) |
| Discount on certificates of participation | 348,060 |
| Debt issuance costs | 97,842 |
| Repayment of principal on leases | 420,036 |
| | <u>(5,584,062)</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. | <u>(1,505)</u> |
|--|----------------|

| | |
|---|-------------------|
| Change in net assets of governmental activities | <u>\$ 335,906</u> |
|---|-------------------|

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF NET ASSETS – ENTERPRISE FUND
December 31, 2010

| | <u>Water and Sewer Fund</u> |
|---|---------------------------------|
| ASSETS | |
| Current Assets | |
| Cash and investments | \$ 302,994 |
| Utilities receivable, net | 231,606 |
| Prepaid expenses | <u>45,557</u> |
| TOTAL CURRENT ASSETS | 580,157 |
| Restricted Assets | |
| Cash and cash equivalents | 41,541 |
| Investments | <u>115,523</u> |
| TOTAL RESTRICTED ASSETS | 157,064 |
| Deferred Debt Issue Costs | 4,735 |
| Property, Plant and Equipment | 17,385,012 |
| Less Accumulated Depreciation | <u>(6,989,042)</u> |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | <u>10,395,970</u> |
| TOTAL ASSETS | 11,137,926 |
| LIABILITIES AND NET ASSETS | |
| Current Liabilities | |
| Accounts payable | 25,042 |
| Accrued expenses | 34,069 |
| Accrued interest payable | 11,949 |
| Customer deposits | 121,478 |
| Current portion of long-term debt | <u>535,686</u> |
| TOTAL CURRENT LIABILITIES | 728,224 |
| Long-Term Liabilities | |
| Revenue bonds payable | 375,000 |
| Capital leases payable | 1,778,486 |
| Compensated absences payable | <u>4,271</u> |
| TOTAL LONG-TERM LIABILITIES | <u>2,157,757</u> |
| TOTAL LIABILITIES | <u>2,885,981</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 7,706,798 |
| Restricted | 157,064 |
| Unrestricted | <u>388,083</u> |
| TOTAL NET ASSETS | <u>\$ 8,251,945</u> |

See accompanying notes.

CITY OF BOLIVAR, MISSOURI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – ENTERPRISE FUND

Year Ended December 31, 2010

| | <u>Water and Sewer Fund</u> |
|---|---------------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 2,903,046 |
| Other charges | <u>170,917</u> |
| TOTAL OPERATING REVENUES | 3,073,963 |
| OPERATING EXPENSES | |
| Salaries and wages | 786,925 |
| Employee Benefits | 232,364 |
| Materials and supplies | 353,332 |
| Utilities | 583,526 |
| Insurance | 38,948 |
| Repairs and maintenance | 363,291 |
| Travel and conferences | 22,810 |
| Depreciation | 594,918 |
| Miscellaneous | <u>144,488</u> |
| TOTAL OPERATING EXPENSES | <u>3,120,602</u> |
| OPERATING (LOSS) | (46,639) |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 19,286 |
| Interest expense | <u>(124,596)</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(105,310)</u> |
| (LOSS) BEFORE OPERATING TRANSFERS | (151,949) |
| OPERATING TRANSFERS IN | <u>215,502</u> |
| NET INCOME | 63,553 |
| NET ASSETS, January 1 | <u>8,188,392</u> |
| NET ASSETS, December 31 | <u><u>\$ 8,251,945</u></u> |

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
Year Ended December 31, 2010

| | Water and Sewer Fund |
|--|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 3,153,920 |
| Cash paid to employees | (1,008,510) |
| Cash paid to suppliers | (1,549,795) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 595,615 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers from other funds | 215,502 |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | 215,502 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition and construction of capital assets | (435,295) |
| Payment of principal on revenue bonds | (175,000) |
| Payment of principal on capital leases | (358,589) |
| Payment of interest expense | (126,533) |
| Capital lease proceeds | 259,000 |
| NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (836,417) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | 19,286 |
| Maturity of investments | 124,756 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 144,042 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 118,742 |
| CASH AND CASH EQUIVALENTS, Beginning of year | 225,793 |
| CASH AND CASH EQUIVALENTS, End of year | 344,535 |
| LESS RESTRICTED CASH AND CASH EQUIVALENTS | 164,519 |
| UNRESTRICTED CASH AND CASH EQUIVALENTS | \$ 180,016 |
| RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating (loss) | \$ (46,639) |
| Adjustments to reconcile operating (loss) to net cash provided by operating activities: | |
| Depreciation | 594,918 |
| (Increase) decrease in: | |
| Utilities receivable | (52,161) |
| Other receivables | 127,181 |
| Prepaid expenses | (3,694) |
| Increase (decrease) in: | |
| Accounts payable | (39,706) |
| Accrued expenses | 12,629 |
| Compensated absences | (1,850) |
| Customer deposits payable | 4,937 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 595,615 |

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bolivar, Missouri (the City) is a fourth class City under Missouri State Statutes and is governed under a Mayor/Board of Aldermen form of government. Bolivar provides a range of municipal services, including general government administration, public safety, recreation, cemetery, economic development, street maintenance, airport facilities, and waterworks and sewerage operations.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. In accordance with GASB Section 1600.131 (Accrual Basis in Proprietary Fund Statements), the Proprietary Fund applies Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, except those pronouncements that conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not financially 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 of Bolivar, Missouri, is a primary government, which is governed by an elected Board of Aldermen. 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.

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Component Unit

Industrial Development Authority

The IDA is a not-for-profit corporation established by resolution of the Board of Aldermen and formed under RSMo. Chapter 349, the Industrial Development Corporations Act. It is designed to develop, advance, encourage and promote commercial, industrial and manufacturing facilities in the City. The IDA Board of Directors is appointed by the Board of Aldermen of the City of Bolivar, Missouri. The City provides the IDA financial and administrative support.

Government-Wide and Fund Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City reports the following major governmental funds:

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

Street Fund: The Street Fund of the City is used to account for resources received and expended for City streets.

½ Cent Capital Improvement Fund: This fund is used to account for financial resources to be used for the acquisition, construction, and maintenance of major capital assets of the City.

Recreation Facility Fund: The Recreation Facility Fund is used to account for financial resources received and expended for City recreation and parks.

The City reports the following major proprietary fund:

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

Capital Assets

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

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 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:

| | |
|-----------------------|---------------|
| Buildings | 40 - 50 years |
| Equipment | 5 - 20 years |
| Vehicles | 10 - 20 years |
| Water and sewer plant | 20 - 50 years |
| Infrastructure | 30 - 50 years |

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

Pooled Cash and Cash Equivalents

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

Unreserved Fund Equity

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

Compensated Absences

Employees earn vacation time based on the number of year's service to the City. Outstanding vacation leave is payable upon termination of employment. Compensated absences are recorded as a liability in the Statement of Net Assets.

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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 Financial Accounting Standards Board (FASB) Statement No. 62 - *Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

Net Assets

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

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

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

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

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

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE B – CASH AND CASH EQUIVALENTS

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 December 31, 2010, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

The City's investments as of December 31, 2010, are as follows:

| <u>Investment Type</u> | <u>Maturity</u> | <u>Amount</u> |
|---------------------------------|---------------------|-------------------|
| Series EE Treasury bonds | 12/1/2032 | \$ 9,072 |
| Certificates of Deposit | 1/1/2011 - 7/6/2011 | 781,323 |
| Guaranteed Investment Contracts | 6/30/2023 | 10,455 |
| | | <u>\$ 800,850</u> |

Certificates of Deposit

Certificates of deposit are classified as investments but are considered deposits for custodial risk determination. State statutes require that the City's deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2010, all certificates of deposit are entirely insured or collateralized with securities.

Guaranteed Investment Contracts

The City has Guaranteed Investment Contracts through CDC Funding Corporation 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 2002 State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds reserve accounts.

Interest Rate Risk

The City does not have a policy on interest rate risk.

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE D – RESTRICTED ASSETS

Governmental Activities

Cash and fund balance/net assets have been restricted in the following funds:

| | <u>Restricted Cash and Investments</u> | <u>Reserved Fund Balance</u> | <u>Restricted Net Assets</u> |
|---------------------------------------|--|----------------------------------|----------------------------------|
| GENERAL FUND | | | |
| Court bonds | \$ 26,913 | \$ - | \$ - |
| Certificate of participation proceeds | 150,000 | 150,000 | - |
| | <u>\$ 176,913</u> | <u>\$ 150,000</u> | <u>\$ -</u> |
| RECREATION FACILITY FUND | | | |
| Certificate of participation proceeds | <u>\$ 5,759,064</u> | <u>\$ 5,759,064</u> | <u>\$ -</u> |
| AIRPORT FUND | | | |
| Customer deposits | <u>\$ 1,835</u> | <u>\$ -</u> | <u>\$ -</u> |
| GREENWOOD CEMETERY FUND | | | |
| Cemetery donations | <u>\$ 91,873</u> | <u>\$ 91,873</u> | <u>\$ 91,873</u> |

Business-Type Activities

The 1998B Combined Waterworks and Sewerage System Revenue Bonds Ordinance and the 2002 Combined Waterworks and Sewerage System Refunding Revenue Bonds Ordinance (State Revolving Fund Program) established amounts required to be deposited in certain sinking and reserve funds. All required deposits have been made. These special cash reserves are reported in the accompanying balance sheet as restricted cash and cash equivalents, restricted investments, and restricted net assets. Restricted cash and investments also include cash restricted for customer deposits and performance bonds. These restrictions are as follows:

| | <u>Restricted Cash and Investments</u> | <u>Restricted Net Assets</u> |
|------------------------------|--|----------------------------------|
| 1998B Revenue Bonds | | |
| Debt service reserve | \$ 19,500 | \$ 19,500 |
| Depreciation and replacement | 45,000 | 45,000 |
| 2002 Revenue Bonds | | |
| Debt service reserve | 31,086 | 31,086 |
| Principal and interest | 61,478 | 61,478 |
| Utility Deposits | 121,478 | - |
| Performance Bonds | 1,500 | - |
| | <u>\$ 280,042</u> | <u>\$ 157,064</u> |

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE E – ACCOUNTS RECEIVABLE

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

| | Accounts Receivable | Allowance | Net Accounts Receivable |
|------------------------|------------------------|-----------|----------------------------|
| UTILITIES RECEIVABLE | | | |
| Water and Sewer Fund | \$ 241,385 | \$ 9,779 | \$ 231,606 |
| COURT FINES RECEIVABLE | | | |
| General Fund | \$ 114,411 | \$ 89,751 | \$ 24,660 |

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

The business-type activities long-term debt at December 31, 2010, consists of two Revenue Bond issues; Series 1998B and Series 2002, four capital lease obligations, and compensated absences.

1998B Combined Waterworks and Sewerage System Revenue Bonds

The Combined Waterworks and Sewerage System Revenue Bonds, Series 1998B, were issued in the principal amount of \$750,000 for the purpose of making certain extensions and improvements to the System. The 1998B bonds bear interest at 3.90% to 5.15% with principal payments due September 1 and interest payments due March 1 and September 1 of each year. The bonds outstanding at December 31, 2010, are due as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|-------------------|------------------|-------------------|
| 2011 | \$ 60,000 | \$ 9,920 | \$ 69,920 |
| 2012 | 65,000 | 6,920 | 71,920 |
| 2013 | 70,000 | 3,605 | 73,605 |
| | <u>\$ 195,000</u> | <u>\$ 20,445</u> | <u>\$ 215,445</u> |

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

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

2002 Combined Waterworks and Sewerage System Revenue Bonds

The Combined Waterworks and Sewerage System Refunding Revenue Bonds, State Revolving Loan Program Series 2002, were issued in the principal amount of \$1,200,000 for the purpose of making certain extensions and improvements to the System and to refund the 1998A Combined Waterworks and Sewerage System Revenue Bonds. The 2002 bonds bear interest at 2.00% to 5.50% with principal payments due July 1 and interest payments due January 1 and July 1 of each year. The bonds outstanding at December 31, 2010, are due as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|-------------------|------------------|-------------------|
| 2011 | \$ 115,000 | \$ 18,937 | \$ 133,937 |
| 2012 | 120,000 | 12,900 | 132,900 |
| 2013 | 120,000 | 6,600 | 126,600 |
| | <u>\$ 355,000</u> | <u>\$ 38,437</u> | <u>\$ 393,437</u> |

Capital Lease Agreement – Water Tower

During 2002, the City entered into a lease purchase agreement with the Industrial Development Authority of the City of Bolivar, Inc. to finance the purchase of a water tower, well, and the land on which the aforementioned is located. During 2007, the City refinanced this lease under the City's name. The lease has been recorded as a lease obligation payable in the Water and Sewer Fund.

The City's lease/purchase agreement provides for the cancellation of the lease at the City's option on the renewal dates each year per State statute, however the City does not foresee exercising its option to cancel. Therefore, this lease is accounted for as a noncancellable capital lease in accordance with FASB Accounting Standards Codification Topic ASC-840-30-30, "Accounting for Capital Leases".

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

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

The following is a schedule of the future minimum payments under the lease agreement (assuming noncancellation):

| Year Ended December 31, | IDA Water Tower Lease Purchase |
|--------------------------------------|--------------------------------------|
| 2011 | \$ 116,005 |
| 2012 | 116,005 |
| 2013 | 116,005 |
| 2014 | 116,005 |
| 2015 | 116,005 |
| 2016 | 116,005 |
| 2017 | 116,005 |
| 2018 | 116,005 |
| 2019 | 95,911 |
| TOTAL MINIMUM LEASE PAYMENTS | 1,023,951 |
| LESS AMOUNT REPRESENTING INTEREST | (223,591) |
| PRINCIPAL BALANCE, DECEMBER 31, 2010 | \$ 800,360 |

Capital Lease Agreement – Wastewater Improvements

On April 1, 2008, the City entered into a cancelable lease agreement with Commerce Bank to finance Wastewater Treatment Plant improvements. The agreement requires monthly payment of \$17,340 including interest at 3.335%.

The City's lease/purchase agreement provides for the cancellation of the lease at the City's option on the renewal dates each year per State statute, however the City does not foresee exercising its option to cancel. Therefore, this lease is accounted for as a noncancellable capital lease in accordance with FASB Accounting Standards Codification Topic ASC-840-30-30, "Accounting for Capital Leases".

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

The following is a schedule of future payments under the lease (assuming noncancellation):

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|-------------------|------------------|-------------------|
| 2011 | \$ 183,236 | \$ 24,844 | \$ 208,080 |
| 2012 | 189,488 | 18,592 | 208,080 |
| 2013 | 195,954 | 12,126 | 208,080 |
| 2014 | 202,641 | 5,439 | 208,080 |
| 2015 | 51,731 | 326 | 52,057 |
| | <u>\$ 823,050</u> | <u>\$ 61,327</u> | <u>\$ 884,377</u> |

Capital Lease Agreement – Public Works Building

On April 30, 2009, the City entered into a lease purchase agreement to finance the purchase of a building. The lease is split between the street, water, sewer and utilities departments. Three-fourths of the lease activity is included in the business-type activities and one-fourth of the lease activity is included in the governmental activities. The agreement requires monthly payments of \$2,848 including interest at 4.39%.

The City's lease/purchase agreement provides for the cancellation of the lease at the City's option on the renewal dates each year per State statute, however the City does not foresee exercising its option to cancel. Therefore, this lease is accounted for as a noncancellable capital lease in accordance with FASB Accounting Standards Codification Topic ASC-840-30-30, "Accounting for Capital Leases".

The following is a schedule of future lease payments under the lease (assuming noncancellation):

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|-------------------|------------------|-------------------|
| 2011 | \$ 19,367 | \$ 14,809 | \$ 34,176 |
| 2012 | 20,234 | 13,942 | 34,176 |
| 2013 | 21,140 | 13,036 | 34,176 |
| 2014 | 285,324 | 5,141 | 290,465 |
| | <u>\$ 346,065</u> | <u>\$ 46,928</u> | <u>\$ 392,993</u> |

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

Capital Lease Agreement – Hydro-Trencher Vac Truck

On February 1, 2010, the City entered into a cancelable lease agreement with Commerce Bank to finance the purchase of a hydro-trencher vac truck. The agreement requires annual payments of \$89,303 including interest at 3.0%.

The City's lease/purchase agreement provides for the cancellation of the lease at the City's option on the renewal dates each year per State statute, however the City does not foresee exercising its option to cancel. Therefore, this lease is accounted for as a noncancellable capital lease in accordance with FASB Accounting Standards Codification Topic ASC-840-30-30, "Accounting for Capital Leases".

The following is a schedule of future lease payments under the lease (assuming noncancellation):

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|-------------------|-----------------|-------------------|
| 2011 | \$ 83,397 | \$ 5,906 | \$ 89,303 |
| 2012 | 86,300 | 3,003 | 89,303 |
| | <u>\$ 169,697</u> | <u>\$ 8,909</u> | <u>\$ 178,606</u> |

A summary of the changes in long-term debt – business-type activities for the year ended December 31, 2010, is as follows:

| | Balance December 31, 2009 | Additions | Retirements | Balance December 31, 2010 |
|------------------------------|---------------------------------|-------------------|-------------------|---------------------------------|
| Revenue Bonds Payable | \$ 725,000 | \$ - | \$ 175,000 | \$ 550,000 |
| Capital Leases Payable | 2,238,761 | 259,000 | 358,589 | 2,139,172 |
| Compensated Absences Payable | 6,121 | - | 1,850 | 4,271 |
| | <u>\$ 2,969,882</u> | <u>\$ 259,000</u> | <u>\$ 535,439</u> | <u>\$ 2,693,443</u> |

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at December 31, 2010, consists of seven capital lease obligations, Series 2010A and 2010B Certificates of Participation, and compensated absences.

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

Capital Lease Agreement – Aldrich Road Project

During 2007, the City entered into a lease purchase agreement with Commerce Bank, N.A. to refinance the construction and improvements of the Aldrich Road. The lease agreement requires monthly principal and interest payments through June 2013 including an interest rate of 5.05%.

Capital Lease Agreement – Fire Truck

During 2003, the City entered into a lease purchase agreement with Mid-Missouri Bank to finance the purchase of a fire truck. The lease agreement requires monthly principal and interest payments through 2011 at 5.1625%.

Capital Lease Agreement – 2001 STAR Loan

During 2001, the City entered into a loan agreement with the Missouri State Transportation Assistance Revolving (STAR) Fund to finance the construction of a fueling facility. The property has been accounted for in the Airport Fund. The lease agreement requires monthly payments through 2011 including interest at 3.26%.

Capital Lease Agreement – 2003 STAR Loan

During 2003, the City entered into a loan agreement with the Missouri State Transportation Assistance Revolving (STAR) Fund to finance the construction of an airport hangar. The property has been accounted for in the Airport Fund. The lease agreement requires monthly payments through 2014 including interest at 2.573%.

Capital Lease Agreement – 2004 STAR Loan

During 2004, the City entered into a loan agreement with the Missouri State Transportation Assistance Revolving (STAR) Fund to finance the construction of an airport hangar. The property has been accounted for in the Airport Fund. The lease agreement requires monthly payments through 2014 including interest at 3.053%.

Capital Lease Agreement – Airport Land

During 2007, the City entered into a lease purchase agreement with Commerce Bank, N.A. to finance the purchase of land to be used for the airport. The property has been accounted for in the Airport Fund. The lease agreement requires monthly payments through 2017 including an interest rate of 5.161%.

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

Capital Lease Agreement – Public Works Building

On April 30, 2009, the City entered into a lease purchase agreement to finance the purchase of a building. The lease is split between the street, water, sewer and utilities departments. One-fourth of the lease activity is included in the governmental activities and three-fourths of the lease activity is included in the business-type activities. The agreement requires monthly payments of \$949 including interest at 4.39%.

The City's lease/purchase agreements provide for the cancellation of the leases at the City's option on the renewal dates each year per State statute, however the City does not foresee exercising its option to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with FASB Accounting Standards Codification Topic ASC-840-30-30, "Accounting for Capital Leases".

The following is a schedule of the future minimum lease payments under the lease agreements (assuming noncancellation):

| Year Ended December 31, | Aldridge Road Project | Fire Truck Lease Purchase | 2001 STAR Airport Loan | 2003 STAR Airport Loan | 2004 STAR Airport Loan | Airport Land Lease | Public Works Building Lease | Total |
|---|-----------------------------|------------------------------------|---------------------------------|---------------------------------|---------------------------------|--------------------------|--------------------------------------|---------------------|
| 2011 | \$ 310,934 | \$ 64,048 | \$ 1,763 | \$ 9,552 | \$ 29,041 | \$ 57,624 | \$ 11,391 | \$ 484,353 |
| 2012 | 310,934 | - | - | 9,552 | 29,041 | 57,624 | 11,391 | 418,542 |
| 2013 | 155,467 | - | - | 1,592 | 29,041 | 57,624 | 11,391 | 255,115 |
| 2014 | - | - | - | - | 21,332 | 57,624 | 96,826 | 175,782 |
| 2015 | - | - | - | - | - | 57,624 | - | 57,624 |
| 2016 | - | - | - | - | - | 57,624 | - | 57,624 |
| 2017 | - | - | - | - | - | 43,218 | - | 43,218 |
| TOTAL MINIMUM LEASE PAYMENTS | 777,335 | 64,048 | 1,763 | 20,696 | 108,455 | 388,962 | 130,999 | 1,492,258 |
| LESS AMOUNT REPRESENTING INTEREST | (48,505) | (5,431) | (13) | (587) | (7,835) | (61,110) | (15,644) | (139,125) |
| PRINCIPAL BALANCE, DECEMBER 31, 2010 | <u>\$ 728,830</u> | <u>\$ 58,617</u> | <u>\$ 1,750</u> | <u>\$ 20,109</u> | <u>\$ 100,620</u> | <u>\$ 327,852</u> | <u>\$ 115,355</u> | <u>\$ 1,353,133</u> |

Series 2010A and 2010B Certificates of Participation

On December 23, 2010, the City issued \$1,675,000 Tax Exempt Certificates of Participation, Series 2010A and \$4,775,000 Taxable Certificates of Participation (Build America Bonds – Direct Pay), Series 2010B. The Certificates were issued to provide financing of the costs related to the acquisition, construction, improvement, furnishing and equipping of an aquatic center, certain improvements to the City's golf course and parks and for six police vehicles. The Certificates of Participation bear interest from 1.25% to 8.50% with principal payments

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

due November 1 and interest payments due May 1 and November 1 each year. The City will receive an interest subsidy from the U.S. Treasury semi-annually to offset 35% of the cost of interest payments on the Series 2010B Certificates of Participation. The City is required to file specific forms with the IRS before each interest payment is due in order to receive the subsidy. The Certificates of Participation outstanding at December 31, 2010, are due as follows:

| Year Ended December 31, | Principal | Interest | Interest Subsidy | Total |
|----------------------------|---------------------|----------------------|-----------------------|----------------------|
| 2011 | \$ 110,000 | \$ 399,058 | \$ (120,983) | \$ 388,075 |
| 2012 | 65,000 | 465,056 | (141,409) | 388,647 |
| 2013 | 70,000 | 464,081 | (141,409) | 392,672 |
| 2014 | 75,000 | 462,786 | (141,409) | 396,377 |
| 2015 | 80,000 | 461,192 | (141,409) | 399,783 |
| 2016 | 90,000 | 459,113 | (141,409) | 407,704 |
| 2017 | 95,000 | 456,413 | (141,409) | 410,004 |
| 2018 | 105,000 | 453,206 | (141,409) | 416,797 |
| 2019 | 110,000 | 449,400 | (141,409) | 417,991 |
| 2020 | 120,000 | 445,000 | (141,409) | 423,591 |
| 2021 | 130,000 | 439,900 | (141,409) | 428,491 |
| 2022 | 140,000 | 434,180 | (141,409) | 432,771 |
| 2023 | 150,000 | 427,740 | (141,409) | 436,331 |
| 2024 | 160,000 | 420,615 | (141,409) | 439,206 |
| 2025 | 175,000 | 412,775 | (141,409) | 446,366 |
| 2026 | 185,000 | 404,025 | (141,409) | 447,616 |
| 2027 | 200,000 | 390,150 | (136,553) | 453,597 |
| 2028 | 215,000 | 373,150 | (130,603) | 457,547 |
| 2029 | 230,000 | 354,875 | (124,206) | 460,669 |
| 2030 | 250,000 | 335,325 | (117,364) | 467,961 |
| 2031 | 270,000 | 314,075 | (109,926) | 474,149 |
| 2032 | 285,000 | 291,125 | (101,894) | 474,231 |
| 2033 | 305,000 | 266,900 | (93,415) | 478,485 |
| 2034 | 330,000 | 240,975 | (84,341) | 486,634 |
| 2035 | 350,000 | 212,925 | (74,524) | 488,401 |
| 2036 | 375,000 | 183,175 | (64,111) | 494,064 |
| 2037 | 400,000 | 151,300 | (52,955) | 498,345 |
| 2038 | 430,000 | 117,300 | (41,055) | 506,245 |
| 2039 | 460,000 | 80,750 | (28,263) | 512,487 |
| 2040 | 490,000 | 41,650 | (14,578) | 517,072 |
| | <u>\$ 6,450,000</u> | <u>\$ 10,408,215</u> | <u>\$ (3,415,906)</u> | <u>\$ 13,442,309</u> |

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

A summary of the changes in the long-term debt-governmental activities for the year ended December 31, 2010, is as follows:

| | Balance December 31, 2009 | Additions | Retirements | Balance December 31, 2010 |
|--|---------------------------------|---------------------|-------------------|---------------------------------|
| Capital Leases Payable | \$ 1,773,169 | \$ - | \$ 420,036 | \$ 1,353,133 |
| Certificates of Participation | - | 6,450,000 | - | 6,450,000 |
| Less: Discount on Certificates of Participation | - | (348,060) | - | (348,060) |
| | - | 6,101,940 | - | 6,101,940 |
| Compensated Absences Payable | 36,360 | 1,505 | - | 37,865 |
| Post Employment Pension Liability | - | 36,583 | - | 36,583 |
| | <u>\$ 1,809,529</u> | <u>\$ 6,140,028</u> | <u>\$ 420,036</u> | <u>\$ 7,529,521</u> |

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

Primary Government

| | Balance December 31, 2009 | Additions | Deletions | Balance December 31, 2010 |
|--------------------------------------|---------------------------------|-------------------|------------------|---------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Non-depreciable Capital Assets: | | | | |
| Land | \$ 712,020 | \$ - | \$ - | \$ 712,020 |
| Construction in progress | 82,487 | 303,951 | 82,487 | 303,951 |
| Total Non-depreciable Capital Assets | 794,507 | <u>\$ 303,951</u> | <u>\$ 82,487</u> | 1,015,971 |

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE H – CAPITAL ASSETS (continued)

| | Balance December 31, 2009 | Additions | Deletions | Balance December 31, 2010 |
|--|---------------------------------|--------------|-----------|---------------------------------|
| Depreciable Capital Assets: | | | | |
| Buildings and land improvements | 3,723,876 | \$ - | \$ - | 3,723,876 |
| Equipment and furniture | 4,221,258 | 60,160 | - | 4,281,418 |
| Infrastructure | 8,055,504 | 238,149 | - | 8,293,653 |
| Total Depreciable Capital Assets | 16,000,638 | \$ 298,309 | \$ - | 16,298,947 |
| Less Accumulated Depreciation | (4,847,399) | \$ (621,511) | \$ - | (5,468,910) |
| Total Depreciable Capital Assets, net | 11,153,239 | | | 10,830,037 |
| Total Governmental Activities Capital Assets, net | \$ 11,947,746 | | | \$ 11,846,008 |

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

| | |
|----------------------|-------------------|
| Administrative | \$ 98,535 |
| Fire | 93,332 |
| Public safety | 61,935 |
| Recreation and parks | 40,776 |
| Transportation | 318,294 |
| Cemetery | 8,639 |
| | <u>\$ 621,511</u> |

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE H – CAPITAL ASSETS (continued)

| | Balance December 31, 2009 | Additions | Deletions | Balance December 31, 2010 |
|---|---------------------------------|--------------|-----------|---------------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | |
| Depreciable Capital Assets: | | | | |
| Equipment and furniture | \$ 1,293,819 | \$ 389,689 | \$ - | \$ 1,683,508 |
| Water and sewer system | 15,072,905 | 45,606 | - | 15,118,511 |
| Buildings and improvements | 582,993 | - | - | 582,993 |
| Total Depreciable Capital Assets | 16,949,717 | \$ 435,295 | \$ - | 17,385,012 |
| Less Accumulated Depreciation | (6,394,124) | \$ (594,918) | \$ - | (6,989,042) |
| Total Depreciable Capital Assets, net | 10,555,593 | | | 10,395,970 |
| Total Business-Type Activities Capital Assets, net | \$ 10,555,593 | | | \$ 10,395,970 |

Industrial Development Authority

| | Balance December 31, 2009 | Additions | Deletions | Balance December 31, 2010 |
|--------------------------------------|---------------------------------|-----------|-----------|---------------------------------|
| Non-depreciable capital assets: | | | | |
| Land | \$ 554,725 | \$ - | \$ - | \$ 554,725 |
| Total Non-Depreciable Capital Assets | \$ 554,725 | \$ - | \$ - | \$ 554,725 |

NOTE I – DEFERRED DEBT ISSUE COSTS

The deferred debt issuance costs for business-type activities consist of the 1998B Series Combined Waterworks and Sewerage System Revenue Bonds. The issue costs will be amortized as an adjustment to interest expense using straight line amortization over 15 years.

The deferred debt issuance costs for governmental activities consist of the 2010A and 2010B Certificates of Participation. The issuance costs will be amortized as an adjustment to interest expense using straight line amortization over the lives of the issues ranging from 15 to 30 years.

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE I – DEFERRED DEBT ISSUE COSTS (continued)

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

| | Total Debt Issue Costs | Accumulated Amortization December 31, 2009 | Current Amortization | Net Debt Issue Costs |
|--------------------------|------------------------------|---|-------------------------|----------------------------|
| Business-Type Activities | <u>\$ 32,222</u> | <u>\$ 25,815</u> | <u>\$ 1,672</u> | <u>\$ 4,735</u> |
| Governmental Activities | <u>\$ 97,842</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 97,842</u> |

NOTE J – ASSESSED VALUATION AND LEGAL DEBT MARGIN

The assessed valuation of the tangible property is as follows:

| | 2010 |
|--------------------|----------------------|
| Assessed Valuation | |
| Real estate | \$ 78,654,368 |
| Personal property | 15,483,050 |
| TOTAL | <u>\$ 94,137,418</u> |

The legal debt margin at December 31, 2010, was computed as follows:

| | General Obligation Bonds | | |
|----------------------------------|--------------------------|---------------------|----------------------|
| | Ordinary (1) | Additional (2) | Total |
| Constitutional Debt Limit | \$ 9,413,742 | \$ 9,413,742 | \$ 18,827,484 |
| General Obligation Bonds Payable | <u>-</u> | <u>-</u> | <u>-</u> |
| LEGAL DEBT MARGIN | <u>\$ 9,413,742</u> | <u>\$ 9,413,742</u> | <u>\$ 18,827,484</u> |

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

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

(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, construction, 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 – EMPLOYEE PENSION PLAN

Plan Description

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

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

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

Funding Status

Full-time employees of the City of Bolivar contribute 4% of their gross pay to the pension plan. The June 30th statutorily required contribution rates are 3.9% (General), 1.9% (Police), and 13.9% (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.

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE K – EMPLOYEE PENSION PLAN (continued)

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 | \$ 106,967 |
| Interest on net pension obligation | - |
| Adjustment to annual required contribution | - |
| Annual pension cost | 106,967 |
| Actual contributions | 70,384 |
| Increase (decrease) in NPO | 36,583 |
| NPO beginning of year | - |
| NPO end of year | \$ 36,583 |

The annual required contribution (ARC) was determined as part of the February 29, 2008, and/or February 28, 2009, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table for males projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 29, 2008, was 15 years for the General division, 15 years for the Police division, and 24 years for the Fire division. The amortization period as of February 28, 2009, was 30 years for the General division, 30 years for the Police division, and 26 years for the Fire division.

Three-Year Trend Information

| Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|--------------------------|---------------------------------|-------------------------------------|------------------------------|
| 2008 | \$ 55,587 | 100% | \$ - |
| 2009 | 54,987 | 100% | - |
| 2010 | 106,967 | 65.8% | 36,583 |

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE K – EMPLOYEE PENSION PLAN (continued)

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

| | (a) | (b) | (b-a) | | (c) | [(b-a)/c] |
|-----------|--------------|--------------|------------|--------|--------------|------------|
| Actuarial | Actuarial | Entry Age | Unfunded | | Annual | UAL as a |
| Valuation | Value | Actuarial | Accrued | (a/b) | Covered | Percentage |
| Date | of Assets | Accrued | Liability | Funded | Payroll | of Covered |
| | | Liability | (UAL) | Ratio | | Payroll |
| 02/28/10 | \$ 2,284,707 | \$ 2,661,883 | \$ 377,176 | 86% | \$ 2,235,121 | 17% |

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 information contained in the multi-year trend information was derived based on the actuarial methods and assumptions noted above.

NOTE L – RISK MANAGEMENT

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

NOTE M – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of December 31, 2010, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

NOTE N – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2010, were as follows:

| | Transfers In (Out) |
|-----------------------------------|-----------------------|
| General Fund | \$ 15,161 |
| Street Fund | 135,000 |
| 1/2 Cent Capital Improvement Fund | (829,495) |
| Recreation Facility Fund | 265,698 |
| Non-major Funds | 198,134 |
| Water and Sewer Fund | 215,502 |
| | <u>\$ -</u> |

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them.

NOTE O – COMMITMENTS

At December 31, 2010, the City had the following commitments:

- Butler, Rosenbury & Partners, Inc. for engineering services related to the aquatic center project in the amount of \$70,000.
- OpenAire, Inc. for engineering services related to the aquatic center project in the amount of \$9,500.
- Bucher, Willis & Ratliff Corporation for engineering services related to an airport project in the amount of \$8,809.
- Leo Journagan Construction for a sidewalk project in the amount of \$127,998.

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE P – LINE OF CREDIT

During 2009, the City entered into a line of credit agreement with Commerce Bank for \$250,000 to be used for various projects. During the current year, the agreement was renewed and has a maturity date of December 31, 2011. The line of credit will be repaid at an indexed interest rate. Activity for the year ended December 31, 2010, is summarized below:

| | Balance December 31, 2009 | Additions | Retirements | Balance December 31, 2010 |
|--------------|---------------------------------|-------------|-------------------|---------------------------------|
| General Fund | <u>\$ 250,000</u> | <u>\$ -</u> | <u>\$ 120,000</u> | <u>\$ 130,000</u> |

NOTE Q – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the 1998B and 2002 Combined Water and Sewer Bonds issued to improve and expand the water and sewer system. The bonds are payable solely from water customer net revenues and are payable through 2013. 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 \$608,882. Principal and interest paid for the current year and total customer net revenues were \$212,548 and \$548,279, respectively.

NOTE R – DEFERRED REVENUE

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred revenues include court fines to be collected over several years. All of the deferred revenue at December 31, 2010, is accounted for as follows:

| | |
|----------------------|------------------|
| General Fund | |
| Deferred court fines | <u>\$ 24,611</u> |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BOLIVAR, MISSOURI
SCHEDULE OF FUNDING PROGRESS
Year Ended December 31, 2010

Missouri Local Government Employees Retirement System (LAGERS)

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Entry Age Actuarial Accrued Liability | (b-a) (Excess) Unfunded Accrued Liability (UAL) | (a/b) Funded Ratio | (c) Annual Covered Payroll | [(b-a)/c] UAL as a Percentage of Covered Payroll |
|--------------------------------|--|---|--|--------------------------|-------------------------------------|--|
| 02/29/08 | \$ 3,281,218 | \$ 2,661,073 | \$ (620,145) | 123% | \$ 1,786,300 | 0% |
| 02/28/09 | 2,348,292 | 2,671,700 | 323,408 | 88% | 2,001,177 | 16% |
| 02/28/10 | 2,284,707 | 2,661,883 | 377,176 | 86% | 2,235,121 | 17% |

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

CITY OF BOLIVAR, MISSOURI
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended December 31, 2010

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|-------------------------------------|--------------------|------------------|------------------|----------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| City sales tax | \$ 1,733,000 | \$ 1,733,000 | \$ 1,672,709 | \$ (60,291) |
| Utility franchise tax | 187,000 | 187,000 | 178,828 | (8,172) |
| Surtax | 34,000 | 34,000 | 29,733 | (4,267) |
| | <u>1,954,000</u> | <u>1,954,000</u> | <u>1,881,270</u> | <u>(72,730)</u> |
| Licenses and Permits | | | | |
| Merchant licenses | 22,000 | 22,000 | 25,598 | 3,598 |
| Building permits | 25,000 | 25,000 | 2,930 | (22,070) |
| Solicitor permits | 4,500 | 4,500 | 6,196 | 1,696 |
| Garage sale permits | 2,000 | 2,000 | 2,215 | 215 |
| Trash permits | 50 | 50 | 45 | (5) |
| Inspection fees | 1,500 | 1,500 | 25,563 | 24,063 |
| Zoning fees | 10,000 | 10,000 | 3,253 | (6,747) |
| Animal license and fees | 9,300 | 9,300 | 8,487 | (813) |
| | <u>74,350</u> | <u>74,350</u> | <u>74,287</u> | <u>(63)</u> |
| Intergovernmental Revenues | | | | |
| Law enforcement grants | 5,000 | 5,000 | 56,926 | 51,926 |
| Emergency management grants | 20,000 | 20,000 | 16,173 | (3,827) |
| | <u>25,000</u> | <u>25,000</u> | <u>73,099</u> | <u>48,099</u> |
| Fines and Forfeitures | | | | |
| City court fines | 175,000 | 175,000 | 178,987 | 3,987 |
| Miscellaneous fines and forfeitures | 7,000 | 7,000 | 6,944 | (56) |
| | <u>182,000</u> | <u>182,000</u> | <u>185,931</u> | <u>3,931</u> |
| Miscellaneous | | | | |
| Interest | 10,100 | 10,100 | 5,716 | (4,384) |
| Other | 202,850 | 202,850 | 238,561 | 35,711 |
| | <u>212,950</u> | <u>212,950</u> | <u>244,277</u> | <u>31,327</u> |
| TOTAL REVENUES | 2,448,300 | 2,448,300 | 2,458,864 | 10,564 |

CITY OF BOLIVAR, MISSOURI
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
Year Ended December 31, 2010

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|------------------|-------------------|----------------------------------|
| EXPENDITURES | | | | |
| Current | | | | |
| Administrative | 674,100 | 749,100 | 626,729 | 122,371 |
| Public safety | 1,570,800 | 1,720,800 | 1,554,018 | 166,782 |
| Municipal court | 155,610 | 155,610 | 164,911 | (9,301) |
| Animal pound | 77,825 | 77,825 | 64,489 | 13,336 |
| TOTAL EXPENDITURES | <u>2,478,335</u> | <u>2,703,335</u> | <u>2,410,147</u> | <u>293,188</u> |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (30,035) | (255,035) | 48,717 | 303,752 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Lease proceeds | - | 150,000 | 150,000 | - |
| Operating transfers in | 7,500 | 7,500 | 259,806 | 252,306 |
| Operating transfers (out) | <u>-</u> | <u>-</u> | <u>(244,645)</u> | <u>(244,645)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>7,500</u> | <u>157,500</u> | <u>165,161</u> | <u>7,661</u> |
| EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES) | (22,535) | (97,535) | 213,878 | 311,413 |
| FUND BALANCE, January 1 | <u>136,115</u> | <u>136,115</u> | <u>136,115</u> | <u>-</u> |
| FUND BALANCE, December 31 | <u>\$ 113,580</u> | <u>\$ 38,580</u> | <u>\$ 349,993</u> | <u>\$ 311,413</u> |

CITY OF BOLIVAR, MISSOURI
BUDGETARY COMPARISON SCHEDULE – STREET FUND
Year Ended December 31, 2010

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|-----------------|------------|----------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| Sales tax | \$ 825,000 | \$ 825,000 | \$ 784,453 | \$ (40,547) |
| Motor vehicle tax | 335,000 | 335,000 | 349,807 | 14,807 |
| | 1,160,000 | 1,160,000 | 1,134,260 | (25,740) |
| Permits and fees | | | | |
| Storm water drain fees | 2,000 | 2,000 | 318 | (1,682) |
| Intergovernmental revenues | - | - | 88,653 | 88,653 |
| Miscellaneous | | | | |
| Interest | 2,000 | 2,000 | 537 | (1,463) |
| Other | 4,000 | 4,000 | 14,628 | 10,628 |
| | 6,000 | 6,000 | 15,165 | 9,165 |
| TOTAL REVENUES | 1,168,000 | 1,168,000 | 1,238,396 | 70,396 |
| EXPENDITURES | | | | |
| Transportation | 910,850 | 1,060,850 | 932,019 | 128,831 |
| Debt service | 326,125 | 326,125 | 322,325 | 3,800 |
| TOTAL EXPENDITURES | 1,236,975 | 1,386,975 | 1,254,344 | 132,631 |
| (DEFICIT) OF REVENUES OVER EXPENDITURES | (68,975) | (218,975) | (15,948) | 203,027 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | - | - | 230,000 | 230,000 |
| Operating transfers (out) | - | - | (95,000) | (95,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | 135,000 | 135,000 |
| EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES) | (68,975) | (218,975) | 119,052 | 338,027 |
| FUND BALANCE, January 1 | 548,712 | 548,712 | 548,712 | - |
| FUND BALANCE, December 31 | \$ 479,737 | \$ 329,737 | \$ 667,764 | \$ 338,027 |

CITY OF BOLIVAR, MISSOURI
BUDGETARY COMPARISON SCHEDULE – ½ CENT CAPITAL IMPROVEMENT FUND
Year Ended December 31, 2010

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---------------------|---------------------|-------------------|----------------------------------|
| REVENUES | | | | |
| Taxes | \$ 866,000 | \$ 866,000 | \$ 836,275 | \$ (29,725) |
| TOTAL REVENUES | 866,000 | 866,000 | 836,275 | (29,725) |
| EXPENDITURES | | | | |
| Capital improvement | - | 5,000 | - | 5,000 |
| TOTAL EXPENDITURES | - | 5,000 | - | 5,000 |
| EXCESS OF REVENUES OVER EXPENDITURES | 866,000 | 861,000 | 836,275 | (24,725) |
| OTHER FINANCING (USES) | | | | |
| Operating transfers (out) | - | - | (829,495) | (829,495) |
| TOTAL OTHER FINANCING (USES) | - | - | (829,495) | (829,495) |
| EXCESS OF REVENUES OVER EXPENDITURES AND OTHER (USES) | 866,000 | 861,000 | 6,780 | (854,220) |
| FUND BALANCE, January 1 | 241,363 | 241,363 | 241,363 | - |
| FUND BALANCE, December 31 | <u>\$ 1,107,363</u> | <u>\$ 1,102,363</u> | <u>\$ 248,143</u> | <u>\$ (854,220)</u> |

CITY OF BOLIVAR, MISSOURI
BUDGETARY COMPARISON SCHEDULE – RECREATION FACILITY FUND
Year Ended December 31, 2010

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ 87,794 | \$ 87,794 |
| Licenses and permits | 4,500 | 4,500 | - | (4,500) |
| Other | 44,500 | 44,500 | 36,199 | (8,301) |
| TOTAL REVENUES | 49,000 | 49,000 | 123,993 | 74,993 |
| EXPENDITURES | | | | |
| Recreation and parks | 333,890 | 338,890 | 623,149 | (284,259) |
| Debt Service | - | 6,430,000 | 445,901 | 5,984,099 |
| TOTAL EXPENDITURES | 333,890 | 6,768,890 | 1,069,050 | 5,699,840 |
| (DEFICIT) OF REVENUES OVER EXPENDITURES | (284,890) | (6,719,890) | (945,057) | 5,774,833 |
| OTHER FINANCING SOURCES | | | | |
| Lease proceeds | - | 6,430,000 | 6,300,000 | (130,000) |
| Operating transfers in | - | - | 265,698 | 265,698 |
| TOTAL OTHER FINANCING SOURCES | - | 6,430,000 | 6,565,698 | 135,698 |
| EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES | (284,890) | (289,890) | 5,620,641 | 5,910,531 |
| FUND BALANCE, January 1 | 5,203 | 5,203 | 5,203 | - |
| FUND BALANCE, December 31 | <u>\$ (279,687)</u> | <u>\$ (284,687)</u> | <u>\$ 5,625,844</u> | <u>\$ 5,910,531</u> |

CITY OF BOLIVAR, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2010

Budgets and Budgetary Accounting

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

1. Prior to January, Administration submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following January 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 Board of Aldermen in late November or early December to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to January 1, ordinances are passed by the Board, 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 the Board of Aldermen.
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 the Board of Aldermen on approved budget adjustment forms.

OTHER FINANCIAL INFORMATION

CITY OF BOLIVAR, MISSOURI
COMBINING BALANCE SHEET -- NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2010

| | Special Revenue Funds | | | | | Permanent Funds | | | |
|--|---------------------------|-------------------------|-------------------|----------------------------|------------------|-----------------------|-------------------------------|----------------------------|-------------------|
| | Economic Development Fund | Greenwood Cemetery Fund | Fire Fund | Special Road District Fund | Airport Fund | Corbett Donation Fund | Bolivar Charitable Trust Fund | Plaza of the Americas Fund | Total |
| ASSETS | | | | | | | | | |
| Cash and investments - unrestricted | \$ 302 | \$ 520 | \$ 136,147 | \$ 259,393 | \$ 34,077 | \$ 279,972 | \$ 28,565 | \$ 41,586 | \$ 780,562 |
| Taxes receivable | - | - | 65,498 | - | - | - | - | - | 65,498 |
| Intergovernmental receivable | - | - | - | - | 2,995 | - | - | - | 2,995 |
| Other accounts receivable | - | - | - | - | 1,608 | - | - | - | 1,608 |
| Prepaid expenses | - | 3,106 | 1,035 | - | - | - | - | - | 4,141 |
| Restricted cash and cash equivalents | - | - | - | - | 1,835 | - | - | - | 1,835 |
| Restricted investments | - | 91,873 | - | - | - | - | - | - | 91,873 |
| TOTAL ASSETS | \$ 302 | \$ 95,499 | \$ 202,680 | \$ 259,393 | \$ 40,515 | \$ 279,972 | \$ 28,565 | \$ 41,586 | \$ 948,512 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ - | \$ 321 | \$ 4,520 | \$ 9,436 | \$ - | \$ - | \$ - | \$ - | \$ 14,277 |
| Accrued expenses | - | 3,305 | 4,440 | - | 960 | - | - | - | 8,705 |
| Customer deposits payable | - | - | - | - | 1,835 | - | - | - | 1,835 |
| TOTAL LIABILITIES | - | 3,626 | 8,960 | 9,436 | 2,795 | - | - | - | 24,817 |
| Fund Balances | | | | | | | | | |
| Reserved for: | | | | | | | | | |
| Cemetery | - | 91,873 | - | - | - | - | - | - | 91,873 |
| Unreserved, reported in: | | | | | | | | | |
| Special Revenue Fund | 302 | - | 193,720 | 249,957 | 37,720 | - | - | - | 481,699 |
| Permanent Funds | - | - | - | - | - | 279,972 | 28,565 | 41,586 | 350,123 |
| TOTAL FUND BALANCES | 302 | 91,873 | 193,720 | 249,957 | 37,720 | 279,972 | 28,565 | 41,586 | 923,695 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 302 | \$ 95,499 | \$ 202,680 | \$ 259,393 | \$ 40,515 | \$ 279,972 | \$ 28,565 | \$ 41,586 | \$ 948,512 |

CITY OF BOLIVAR, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
 Year Ended December 31, 2010

| | Special Revenue Funds | | | | | Permanent Funds | | | |
|---|---------------------------|-------------------------|------------|----------------------------|--------------|-----------------------|-------------------------------|----------------------------|------------|
| | Economic Development Fund | Greenwood Cemetery Fund | Fire Fund | Special Road District Fund | Airport Fund | Corbett Donation Fund | Bolivar Charitable Trust Fund | Plaza of the Americas Fund | Total |
| REVENUES | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ 392,110 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 392,110 |
| Charges for services | - | 30,115 | - | - | 103,266 | - | - | - | 133,381 |
| Intergovernmental revenues | - | - | 18,251 | 181,760 | 27,702 | - | - | - | 227,713 |
| Interest | - | 2,521 | - | - | - | 4,628 | - | 128 | 7,277 |
| Other | 574 | 39,469 | 18,949 | - | 6,709 | - | 30,381 | - | 96,082 |
| TOTAL REVENUES | 574 | 72,105 | 429,310 | 181,760 | 137,677 | 4,628 | 30,381 | 128 | 856,563 |
| EXPENDITURES | | | | | | | | | |
| Recreation and parks | - | - | - | - | - | 2,894 | - | - | 2,894 |
| Fire | - | - | 420,785 | - | - | - | - | - | 420,785 |
| Cemetery | - | 170,360 | - | - | - | - | - | - | 170,360 |
| Transportation | - | - | - | 108,952 | 108,731 | - | - | - | 217,683 |
| Economic development | 7,077 | - | - | - | - | - | - | - | 7,077 |
| Other | - | - | - | - | - | - | - | 72 | 72 |
| Debt service | - | - | 71,462 | - | 101,504 | - | - | - | 172,966 |
| TOTAL EXPENDITURES | 7,077 | 170,360 | 492,247 | 108,952 | 210,235 | 2,894 | - | 72 | 991,837 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (6,503) | (98,255) | (62,937) | 72,808 | (72,558) | 1,734 | 30,381 | 56 | (135,274) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Operating transfers in (out) | 6,550 | 146,239 | 78,276 | (81,000) | 80,000 | (1,700) | (30,381) | 150 | 198,134 |
| TOTAL OTHER FINANCING SOURCES (USES) | 6,550 | 146,239 | 78,276 | (81,000) | 80,000 | (1,700) | (30,381) | 150 | 198,134 |
| EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES) | 47 | 47,984 | 15,339 | (8,192) | 7,442 | 34 | - | 206 | 62,860 |
| FUND BALANCE, January 1 | 255 | 43,889 | 178,381 | 258,149 | 30,278 | 279,938 | 28,565 | 41,380 | 860,835 |
| FUND BALANCE, December 31 | \$ 302 | \$ 91,873 | \$ 193,720 | \$ 249,957 | \$ 37,720 | \$ 279,972 | \$ 28,565 | \$ 41,586 | \$ 923,695 |



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

Honorable Mayor and Board of Aldermen
City of Bolivar
Bolivar, Missouri

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the City of Bolivar, Missouri as of and for the year ended December 31, 2010, which collectively comprise the City of Bolivar, Missouri's basic financial statements and have issued our report thereon dated March 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Bolivar, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Bolivar, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Honorable Mayor and Board of Aldermen
City of Bolivar
Bolivar, 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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. They are identified as items 10-1, 10-2 and 10-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bolivar, 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*.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

We noted certain other matters that we have reported to management of the City of Bolivar, Missouri in a separate letter dated March 29, 2011.

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

Davis, Lynn: Moots, PC

DAVIS, LYNN & MOOTS, P.C.
March 29, 2011

CITY OF BOLIVAR, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2010

10-1 Segregation of duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties.

10-2 Application of accounting principles generally accepted in the United States of America

Condition: The City currently does not have staff with sufficient expertise needed to properly apply accounting principles generally accepted in the United States of America. This condition is found in the majority of smaller entities.

Criteria: The City should have staff with sufficient expertise to properly apply accounting principles generally accepted in the United States of America.

Effect: Audit adjustments were proposed to management to correct misstatements. Management has represented to us that these adjustments have been made to the City's general ledger.

Recommendation: We realize due to limited resources the City may not be able to have staff with sufficient expertise to properly apply accounting principles generally accepted in the United States of America. However, our professional standards require that we bring this lack of expertise to your attention in this report.

Response: Due to limited resources, the City does not have staff with sufficient expertise to properly apply accounting principles generally accepted in the United States of America.

CITY OF BOLIVAR, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES (continued)
Year Ended December 31, 2010

10-3 Design of internal control system for preparation of basic financial statements

Condition: The City has personnel in place to perform all bookkeeping functions necessary to maintain a general ledger and prepare internal use statements for management. However the City does not have accounting professionals with the knowledge, experience and training to prepare governmental financial statements in conformity with Governmental Accounting Standards as part of their internal control system.

Criteria: A properly designed system of internal control, which includes preparation of financial statements in conformity with Governmental Accounting Standards, includes having accounting professionals as part of the system to perform that function.

Effect: The City employs the auditors that perform the annual audit of the financial statements to prepare the annual financial statements.

Recommendation: We recognize that the City may not have the resources to have an accounting professional with the knowledge, experience and training to prepare governmental financial statements in conformity with Governmental Accounting Standards. However, we recommend that management continue to increase their knowledge of financial reporting.

Response: The City does not have the resources to hire additional accounting personnel with the knowledge, experience and training solely to prepare governmental financial statements in conformity with Governmental Accounting Standards. The City does have personnel with sufficient knowledge to understand and take responsibility for the basic financial statements.