

CITY OF BOLIVAR, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2011

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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, 2011, 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, 2011, 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.

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended December 31, 2011.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2012, 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.

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

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 as a whole. The data contained under Other Financial Information is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Financial Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
May 9, 2012

CITY OF BOLIVAR, MISSOURI
STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority
ASSETS				
Current				
Cash and investments	\$ 1,241,815	\$ -	\$ 1,241,815	\$ 127,384
Taxes receivable	663,777	-	663,777	-
Court fines receivable, net	38,830	-	38,830	-
Intergovernmental receivable	65,125	-	65,125	-
Utilities receivable, net	-	235,805	235,805	-
Other accounts receivable	110,291	-	110,291	-
Prepaid expenses	123,651	71,969	195,620	-
Noncurrent				
Restricted cash and cash equivalents	2,266,856	461,820	2,728,676	-
Restricted investments	91,873	52,229	144,102	-
Deferred debt issue costs	93,904	3,062	96,966	-
Capital Assets:				
Non-depreciable	4,928,292	-	4,928,292	554,725
Depreciable, net	10,983,125	9,963,275	20,946,400	-
TOTAL ASSETS	20,607,539	10,788,160	31,395,699	682,109
LIABILITIES				
Current				
Accounts payable	548,319	154,030	702,349	-
Accrued expenses	75,396	33,768	109,164	-
Customer deposits payable	1,440	122,472	123,912	-
Court bonds payable	21,741	-	21,741	-
Accrued interest payable	53,941	8,180	62,121	-
Current portion of long-term debt	448,993	557,406	1,006,399	-
	1,149,830	875,856	2,025,686	-
Noncurrent				
Capital leases payable	544,595	1,403,405	1,948,000	-
Certificates of participation payable	5,938,542	-	5,938,542	-
Revenue bonds payable	-	190,000	190,000	-
Post employment pension liability	88,292	-	88,292	-
Compensated absences	34,923	4,470	39,393	-
	6,606,352	1,597,875	8,204,227	-
TOTAL LIABILITIES	7,756,182	2,473,731	10,229,913	-
NET ASSETS				
Invested in capital assets, net of related debt	11,222,962	7,812,464	19,035,426	-
Restricted				
Non-expendable	383,339	-	383,339	-
Expendable	1,267,299	390,077	1,657,376	-
Unrestricted	(22,243)	111,888	89,645	682,109
TOTAL NET ASSETS	\$ 12,851,357	\$ 8,314,429	\$ 21,165,786	\$ 682,109

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority
Primary Government								
Governmental Activities								
Administrative	\$ (398,498)	\$ 50,387	\$ 30,885	\$ -	\$ (317,226)	\$ -	\$ (317,226)	\$ -
Public safety	(1,756,629)	189,380	90,842	26,937	(1,449,470)	-	(1,449,470)	-
Community development	(200,088)	43,691	-	-	(156,397)	-	(156,397)	-
Municipal court	(173,618)	-	-	-	(173,618)	-	(173,618)	-
Animal pound	(70,062)	5,419	761	-	(63,882)	-	(63,882)	-
Recreation and parks	(263,964)	3,610	-	-	(260,354)	-	(260,354)	-
Rails to trails	(131,232)	-	-	-	(131,232)	-	(131,232)	-
Aquatic center	(61,839)	-	-	-	(61,839)	-	(61,839)	-
Golf course	(141,954)	61,682	-	-	(80,272)	-	(80,272)	-
Fire	(507,055)	-	3,234	-	(503,821)	-	(503,821)	-
Cemetery	(176,585)	43,080	1,207	-	(132,298)	-	(132,298)	-
Transportation	(868,422)	1,713	182,387	268,688	(415,634)	-	(415,634)	-
Airport	(399,017)	178,367	-	76,916	(143,734)	-	(143,734)	-
Economic development	(5,418)	-	-	-	(5,418)	-	(5,418)	-
Other	(397)	-	-	-	(397)	-	(397)	-
Debt service	(405,766)	-	-	-	(405,766)	-	(405,766)	-
TOTAL GOVERNMENTAL ACTIVITIES	(5,560,544)	577,329	309,316	372,541	(4,301,358)	-	(4,301,358)	-
Business-Type Activities								
Water and Sewer	(3,108,760)	3,036,197	-	-	-	(72,563)	(72,563)	-
TOTAL BUSINESS-TYPE ACTIVITIES	(3,108,760)	3,036,197	-	-	-	(72,563)	(72,563)	-
TOTAL PRIMARY GOVERNMENT	\$ (8,669,304)	\$ 3,613,526	\$ 309,316	\$ 372,541	(4,301,358)	(72,563)	(4,373,921)	-
Component Unit								
Industrial Development Authority	\$ (559)	\$ -	\$ -	\$ -	-	-	-	(559)
General Revenues:								
					4,147,672	-	4,147,672	-
					346,522	-	346,522	-
					29,456	-	29,456	-
					196,500	-	196,500	-
					10,181	15,058	25,239	697
					287,994	-	287,994	-
					(119,989)	119,989	-	-
					4,898,336	135,047	5,033,383	697
					596,978	62,484	659,462	138
					12,254,379	8,251,945	20,506,324	681,971
					\$ 12,851,357	\$ 8,314,429	\$ 21,165,786	\$ 682,109

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2011

	Special Revenue Funds					
	General Fund	Street Fund	1/2 Cent Capital Improvement Fund	Recreation Facility Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments - unrestricted	\$ 70,167	\$ 111,106	\$ 314,868	\$ -	\$ 745,674	\$ 1,241,815
Taxes receivable	269,326	129,948	134,647	64,891	64,965	663,777
Court fines receivable, net	38,830	-	-	-	-	38,830
Intergovernmental receivable	5,656	-	-	-	59,469	65,125
Other accounts receivable	62,843	26,816	-	3,645	16,987	110,291
Prepaid expenses	76,104	14,849	-	22,994	9,704	123,651
Due from other funds	-	497,869	-	-	-	497,869
Restricted cash and cash equivalents	21,741	-	-	2,243,675	1,440	2,266,856
Restricted investments	-	-	-	-	91,873	91,873
TOTAL ASSETS	\$ 544,667	\$ 780,588	\$ 449,515	\$ 2,335,205	\$ 990,112	\$ 5,100,087
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 93,561	\$ 14,631	\$ -	\$ 347,390	\$ 92,737	\$ 548,319
Accrued expenses	54,816	8,173	-	3,727	8,680	75,396
Due to other funds	-	-	-	410,048	87,821	497,869
Customer deposits payable	-	-	-	-	1,440	1,440
Court bonds payable	21,741	-	-	-	-	21,741
Deferred revenue	24,611	-	-	-	-	24,611
TOTAL LIABILITIES	194,729	22,804	-	761,165	190,678	1,169,376
Fund Balances						
Nonspendable:						
Prepaid items	76,104	14,849	-	22,994	9,704	123,651
Cemetery perpetual care	-	-	-	-	31,873	31,873
Permanent	-	-	-	-	351,466	351,466
Restricted for:						
Debt service	-	-	-	2,243,675	-	2,243,675
Transportation	-	742,935	-	-	-	742,935
Capital improvements	-	-	449,515	-	-	449,515
Cemetery	-	-	-	-	60,000	60,000
Assigned to:						
Airport	-	-	-	-	9,364	9,364
Fire	-	-	-	-	112,478	112,478
Special road district	-	-	-	-	316,122	316,122
Unassigned	273,834	-	-	(692,629)	(91,573)	(510,368)
TOTAL FUND BALANCES	349,938	757,784	449,515	1,574,040	799,434	3,930,711
TOTAL LIABILITIES AND FUND BALANCES	\$ 544,667	\$ 780,588	\$ 449,515	\$ 2,335,205	\$ 990,112	\$ 5,100,087

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET ASSETS
 December 31, 2011

Fund balance - total governmental funds	\$ 3,930,711
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	22,007,867
Less accumulated depreciation	<u>(6,096,450)</u>
	15,911,417
Adjutment of deferred revenue	24,611
Interest on long-term debt is not accrued in governmental funds, but rather recognized as an expenditure when due	(53,941)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(7,055,345)
Unamortized issuance costs on debt	<u>93,904</u>
Net assets of governmental activities	<u><u>\$ 12,851,357</u></u>

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended December 31, 2011

	General Fund	Street Fund	1/2 Cent Capital Improvement Fund	Recreation Facility Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 1,927,134	\$ 1,145,115	\$ 850,493	\$ 398,230	\$ 399,178	\$ 4,720,150
Licenses and permits	85,271	-	-	-	-	85,271
Charges for services	-	1,713	-	65,293	213,467	280,473
Intergovernmental revenues	110,043	268,688	-	-	262,537	641,268
Fines and forfeitures	176,480	-	-	-	-	176,480
Interest	4,795	277	-	-	3,744	8,816
Other	212,063	29,601	-	48,560	74,829	365,053
TOTAL REVENUES	2,515,786	1,445,394	850,493	512,083	953,755	6,277,511
EXPENDITURES						
Current						
Administrative	318,065	-	-	-	-	318,065
Public safety	1,781,903	-	-	-	-	1,781,903
Municipal court	172,855	-	-	-	-	172,855
Community development	200,088	-	-	-	-	200,088
Animal pound	70,062	-	-	-	-	70,062
Recreation and parks	-	-	-	242,821	-	242,821
Rails to trails	-	-	-	116,430	-	116,430
Aquatic center	-	-	-	3,919,088	-	3,919,088
Golf course	-	-	-	195,886	-	195,886
Fire	-	-	-	-	426,855	426,855
Cemetery	-	-	-	-	169,127	169,127
Transportation	-	1,159,364	-	-	116,222	1,275,586
Airport	-	-	-	-	276,839	276,839
Economic development	-	-	-	-	5,418	5,418
Other	-	-	-	-	397	397
Debt Service						
Principal and interest	-	322,325	-	388,075	160,430	870,830
TOTAL EXPENDITURES	2,542,973	1,481,689	-	4,862,300	1,155,288	10,042,250
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(27,187)	(36,295)	850,493	(4,350,217)	(201,533)	(3,764,739)
OTHER FINANCING SOURCES (USES)						
Operating transfer in (out)	27,132	126,315	(649,121)	298,413	77,272	(119,989)
TOTAL OTHER FINANCING SOURCES (USES)	27,132	126,315	(649,121)	298,413	77,272	(119,989)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(55)	90,020	201,372	(4,051,804)	(124,261)	(3,884,728)
FUND BALANCE, January 1	349,993	667,764	248,143	5,625,844	923,695	7,815,439
FUND BALANCE, December 31	\$ 349,938	\$ 757,784	\$ 449,515	\$ 1,574,040	\$ 799,434	\$ 3,930,711

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, 2011

Net change in fund balances - total governmental funds \$ (3,884,728)

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	4,692,949
Depreciation	(627,540)
	<u>4,065,409</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.

Discount on certificates of participation	(11,602)
Debt issuance costs	(3,938)
Accrued interest payable	(53,941)
Repayment of principal on leases	534,545
	<u>465,064</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>(48,767)</u>
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Change in net assets of governmental activities	<u>\$ 596,978</u>
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See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF NET ASSETS – ENTERPRISE FUND
December 31, 2011

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets	
Cash and investments	\$ -
Utilities receivable, net	235,805
Prepaid expenses	71,969
	<u>307,774</u>
	TOTAL CURRENT ASSETS
	307,774
Restricted Assets	
Cash and cash equivalents	461,820
Investments	52,229
	<u>514,049</u>
	TOTAL RESTRICTED ASSETS
	514,049
Deferred Debt Issue Costs	3,062
Property, Plant and Equipment	17,558,461
Less Accumulated Depreciation	<u>(7,595,186)</u>
	9,963,275
	TOTAL PROPERTY, PLANT AND EQUIPMENT
	9,963,275
	TOTAL ASSETS
	10,788,160
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	154,030
Accrued expenses	33,768
Accrued interest payable	8,180
Customer deposits	122,472
Current portion of long-term debt	<u>557,406</u>
	875,856
	TOTAL CURRENT LIABILITIES
	875,856
Long-Term Liabilities	
Revenue bonds payable	190,000
Capital leases payable	1,403,405
Compensated absences payable	<u>4,470</u>
	1,597,875
	TOTAL LONG-TERM LIABILITIES
	1,597,875
	TOTAL LIABILITIES
	<u>2,473,731</u>
Net Assets	
Invested in capital assets, net of related debt	7,812,464
Restricted	390,077
Unrestricted	<u>111,888</u>
	8,314,429
	TOTAL NET ASSETS
	<u>\$ 8,314,429</u>

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – ENTERPRISE FUND
Year Ended December 31, 2011

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 2,898,586
Other charges	<u>137,611</u>
TOTAL OPERATING REVENUES	3,036,197
OPERATING EXPENSES	
Salaries and wages	729,961
Employee Benefits	260,960
Materials and supplies	380,445
Utilities	589,220
Insurance	40,611
Repairs and maintenance	241,006
Travel and conferences	10,367
Depreciation	606,144
Miscellaneous	<u>136,139</u>
TOTAL OPERATING EXPENSES	<u>2,994,853</u>
OPERATING INCOME	41,344
NONOPERATING REVENUES (EXPENSES)	
Interest income	15,058
Interest expense	<u>(113,907)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(98,849)</u>
(LOSS) BEFORE OPERATING TRANSFERS	(57,505)
OPERATING TRANSFERS IN	<u>119,989</u>
NET INCOME	62,484
NET ASSETS, January 1	<u>8,251,945</u>
NET ASSETS, December 31	<u><u>\$ 8,314,429</u></u>

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
Year Ended December 31, 2011

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,032,992
Cash paid to employees	(991,023)
Cash paid to suppliers	<u>(1,295,212)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	746,757
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>119,989</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	119,989
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(173,449)
Payment of principal on revenue bonds	(175,000)
Payment of principal on capital leases	(363,361)
Payment of interest expense	<u>(116,003)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(827,813)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	15,058
Maturity of investments	<u>63,294</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	78,352
NET INCREASE IN CASH AND CASH EQUIVALENTS	117,285
CASH AND CASH EQUIVALENTS, Beginning of year	<u>344,535</u>
CASH AND CASH EQUIVALENTS, End of year	461,820
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>(461,820)</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 41,344
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	606,144
(Increase) decrease in:	
Utilities receivable	(4,199)
Prepaid expenses	(26,412)
Increase (decrease) in:	
Accounts payable	128,988
Accrued expenses	(301)
Compensated absences	199
Customer deposits payable	<u>994</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 746,757</u></u>

See accompanying notes.

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.

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.

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 not accounted for in other funds.

Street Fund: The Street Fund of the City is used to account for resources restricted, committed or assigned for City streets.

½ Cent Capital Improvement Fund: This fund is used to account for financial resources restricted, committed or assigned 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 restricted, committed or assigned 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, 2011

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.

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Accounting Standards Codification (ASC) Topic No. 835-20-30 – *The Amount of Interest Costs to be Capitalized in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

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 – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

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

Fund Balance Classification

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

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

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

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed fund balance – This consists of fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City’s Board of Aldermen.

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

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

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

New Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. The City adopted GASB 54 for the current financial statements and has disclosed information about the fund balance reporting.

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, 2011, all bank balances on deposit are entirely insured or collateralized.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE C – INVESTMENTS

The City’s investments as of December 31, 2011, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Series EE Treasury bonds	12/1/2032	\$ 9,216
Certificates of Deposit	2/1/2012 - 7/6/2012	786,491
Guaranteed Investment Contracts	6/30/2023	<u>52,229</u>
		<u>\$ 847,936</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, 2011, 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, 2011

NOTE D – RESTRICTED ASSETS

Governmental Activities

Cash and investments and net assets have been restricted in the following funds:

	Restricted Cash and Investments	Restricted Net Assets
	<u> </u>	<u> </u>
GENERAL FUND		
Court bonds	\$ 21,741	\$ -
	<u> </u>	<u> </u>
STREET FUND		
Transportation taxes	\$ -	\$ 757,784
	<u> </u>	<u> </u>
1/2 CENT CAPITAL IMPROVEMENT FUND		
Capital improvement taxes	\$ -	\$ 449,515
	<u> </u>	<u> </u>
RECREATION FACILITY FUND		
Certificate of participation proceeds	\$ 2,243,675	\$ -
	<u> </u>	<u> </u>
NON-MAJOR GOVERNMENTAL FUNDS		
Airport customer deposits	\$ 1,440	\$ -
Cemetery perpetual care	31,873	31,873
Cemetery donations	60,000	60,000
Corbett donation	-	281,340
Bolivar Charitable Trust	-	28,565
Plaza of the Americas	-	41,561
	<u> </u>	<u> </u>
	\$ 93,313	\$ 443,339
	<u> </u>	<u> </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 by the EPA for wastewater improvements, customer deposits and performance bonds. These restrictions are as follows:

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE D – RESTRICTED ASSETS (continued)

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Assets</u>
1998B Revenue Bonds		
Debt service reserve	\$ 19,500	\$ 19,500
Depreciation and replacement	5,811	5,811
2002 Revenue Bonds		
Debt service reserve	31,086	31,086
Principal and interest	62,939	62,939
Wastewater Improvements	270,741	270,741
Utility Deposits	122,472	-
Performance Bonds	1,500	-
	<u>\$ 514,049</u>	<u>\$ 390,077</u>

NOTE E – ACCOUNTS RECEIVABLE

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

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
UTILITIES RECEIVABLE			
Water and Sewer Fund	<u>\$ 245,584</u>	<u>\$ 9,779</u>	<u>\$ 235,805</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 163,047</u>	<u>\$ 124,217</u>	<u>\$ 38,830</u>

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

The business-type activities long-term debt at December 31, 2011, consists of two Revenue Bond issues; Series 1998B and Series 2002, four capital lease obligations, and compensated absences.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

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

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, 2011, are due as follows:

Year Ended December 31,	Principal	Interest	Total
2012	\$ 65,000	\$ 6,920	\$ 71,920
2013	70,000	3,605	73,605
	<u>\$ 135,000</u>	<u>\$ 10,525</u>	<u>\$ 145,525</u>

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, 2011, are due as follows:

Year Ended December 31,	Principal	Interest	Total
2012	\$ 120,000	\$ 12,900	\$ 132,900
2013	120,000	6,600	126,600
	<u>\$ 240,000</u>	<u>\$ 19,500</u>	<u>\$ 259,500</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.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

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

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 the future minimum payments under the lease agreement (assuming noncancellation):

Year Ended December 31,	IDA Water Tower Lease Purchase
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	907,946
LESS AMOUNT REPRESENTING INTEREST	(184,947)
PRINCIPAL BALANCE, DECEMBER 31, 2011	\$ 722,999

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, 2011

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
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>\$ 639,814</u>	<u>\$ 36,483</u>	<u>\$ 676,297</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
2012	\$ 20,234	\$ 13,942	\$ 34,176
2013	21,140	13,036	34,176
2014	285,324	5,141	290,465
	<u>\$ 326,698</u>	<u>\$ 32,119</u>	<u>\$ 358,817</u>

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

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):

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 86,300</u>	<u>\$ 3,003</u>	<u>\$ 89,303</u>

A summary of the changes in long-term debt – business-type activities for the year ended December 31, 2011, is as follows:

	<u>Balance</u> <u>December 31,</u> <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31,</u> <u>2011</u>
Revenue Bonds Payable	\$ 550,000	\$ -	\$ 175,000	\$ 375,000
Capital Leases Payable	2,139,172	-	363,361	1,775,811
Compensated Absences Payable	4,271	199	-	4,470
	<u>\$ 2,693,443</u>	<u>\$ 199</u>	<u>\$ 538,361</u>	<u>\$ 2,155,281</u>

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at December 31, 2011, consists of five capital lease obligations, Series 2010A and 2010B Certificates of Participation, compensated absences, and post-employment pension obligation.

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 – 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%.

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%.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

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

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	2003 STAR Airport Loan	2004 STAR Airport Loan	Airport Land Lease	Public Works Building Lease	Total
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	466,401	11,144	79,414	331,338	119,608	1,007,905
LESS AMOUNT REPRESENTING INTEREST	(18,135)	(177)	(5,130)	(45,167)	(10,708)	(79,317)
PRINCIPAL BALANCE, DECEMBER 31, 2011	\$ 448,266	\$ 10,967	\$ 74,284	\$ 286,171	\$ 108,900	\$ 928,588

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 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, 2011, are due as follows:

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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

Year Ended December 31,	Principal	Interest	Interest Subsidy	Total
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>\$ 6,340,000</u>	<u>\$ 10,009,157</u>	<u>\$ (3,294,923)</u>	<u>\$ 13,054,234</u>

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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, 2011, is as follows:

	Balance December 31, 2010	Additions	Retirements	Balance December 31, 2011
Capital Leases Payable	\$ 1,353,133	\$ -	\$ 424,545	\$ 928,588
Certificates of Participation	6,450,000	-	110,000	6,340,000
Less: Discount on Certificates of Participation	(348,060)	-	(11,602)	(336,458)
	<u>6,101,940</u>	-	<u>98,398</u>	<u>6,003,542</u>
Compensated Absences Payable	37,865	-	2,942	34,923
Post Employment Pension Liability	36,583	51,709	-	88,292
	<u>\$ 7,529,521</u>	<u>\$ 51,709</u>	<u>\$ 525,885</u>	<u>\$ 7,055,345</u>

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

Primary Government

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
GOVERNMENTAL ACTIVITIES				
Non-depreciable Capital Assets:				
Land	\$ 712,020	\$ -	\$ -	\$ 712,020
Construction in progress	303,951	3,912,321	-	4,216,272
Total Non-depreciable Capital Assets	1,015,971	<u>\$ 3,912,321</u>	<u>\$ -</u>	4,928,292

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE H – CAPITAL ASSETS (continued)

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
Depreciable Capital Assets:				
Buildings and land improvements	3,723,876	\$ 8,001	\$ -	3,731,877
Equipment and furniture	4,281,418	280,872	-	4,562,290
Infrastructure	8,293,653	491,755	-	8,785,408
Total Depreciable Capital Assets	16,298,947	\$ 780,628	\$ -	17,079,575
Less Accumulated Depreciation	(5,468,910)	\$ (627,540)	\$ -	(6,096,450)
Total Depreciable Capital Assets, net	10,830,037			10,983,125
Total Governmental Activities Capital Assets, net	\$ 11,846,008			\$ 15,911,417

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

Administrative	\$ 99,728
Fire	90,126
Public safety	70,767
Recreation and parks	21,257
Rails to trails	14,802
Golf course	4,568
Transportation	195,934
Airport	122,178
Cemetery	8,180
	<u>\$ 627,540</u>

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE H – CAPITAL ASSETS (continued)

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
BUSINESS-TYPE ACTIVITIES				
Depreciable Capital Assets:				
Equipment and furniture	\$ 1,683,508	\$ 173,449	\$ -	\$ 1,856,957
Water and sewer system	15,118,511	-	-	15,118,511
Buildings and improvements	582,993	-	-	582,993
Total Depreciable Capital Assets	17,385,012	\$ 173,449	\$ -	17,558,461
Less Accumulated Depreciation	(6,989,042)	\$ (606,144)	\$ -	(7,595,186)
Total Depreciable Capital Assets, net	10,395,970			9,963,275
Total Business-Type Activities Capital Assets, net	\$ 10,395,970			\$ 9,963,275

Industrial Development Authority

Component Unit

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
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.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE I – DEFERRED DEBT ISSUE COSTS (continued)

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.

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

	Total Debt Issue Costs	Accumulated Amortization December 31, 2010	Current Amortization	Net Debt Issue Costs
Business-Type Activities	<u>\$ 32,222</u>	<u>\$ 27,487</u>	<u>\$ 1,673</u>	<u>\$ 3,062</u>
Governmental Activities	<u>\$ 97,842</u>	<u>\$ -</u>	<u>\$ 3,938</u>	<u>\$ 93,904</u>

NOTE J – ASSESSED VALUATION AND LEGAL DEBT MARGIN

The assessed valuation of the tangible property is as follows:

	2011
Assessed Valuation	
Real estate	\$ 77,793,521
Personal property	14,795,880
TOTAL	<u>\$ 92,589,401</u>

The legal debt margin at December 31, 2011, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 9,258,940	\$ 9,258,940	\$ 18,517,880
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 9,258,940</u>	<u>\$ 9,258,940</u>	<u>\$ 18,517,880</u>

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

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

(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights-of-way, 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 4.9% (General), 2.9% (Police), and 13.4% (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, 2011

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	\$ 150,224
Interest on net pension obligation	2,744
Adjustment to annual required contribution	<u>(1,961)</u>
Annual pension cost	151,007
Actual contributions	<u>99,298</u>
Increase (decrease) in NPO	51,709
NPO beginning of year	<u>36,583</u>
NPO end of year	<u><u>\$ 88,292</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2009, and/or February 28, 2010, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2009, was 30 years for the General division, 30 years for the Police division, and 26 years for the Fire division. The amortization period as of February 28, 2010, was 30 years for the General division, 1 year for the Police division, and 6 years for the Fire division

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 54,987	100%	\$ -
2010	106,967	65.8%	36,583
2011	151,007	65.8%	88,292

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

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 Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
02/28/11	\$ 2,684,020	\$ 3,126,796	\$ 442,776	86%	\$ 2,306,855	19%

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, 2011, 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, 2011

NOTE N – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2011, were as follows:

	<u>Transfers In (Out)</u>
General Fund	\$ 27,132
Street Fund	126,315
1/2 Cent Capital Improvement Fund	(649,121)
Recreation Facility Fund	298,413
Non-major Funds	77,272
Water and Sewer Fund	119,989
	<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, 2011, the City had the following commitments:

- Wirt Flaven Construction for construction services related to the aquatic center project in the amount of \$1,854,463.
- APAC Missouri Inc. for engineering services related to an airport project in the amount of \$536,239.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE P – LINE OF CREDIT

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

	Balance December 31, 2010	Additions	Retirements	Balance December 31, 2011
General Fund	<u>\$ 130,000</u>	<u>\$ 100,000</u>	<u>\$ 230,000</u>	<u>\$ -</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 \$405,025. Principal and interest paid for the current year and total customer net revenues were \$206,798 and \$647,488, 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, 2011, is accounted for as follows:

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

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE S – INTERNAL BALANCES

Internal balances as of December 31, 2011, consisted of the following:

	Greenwood Cemetery Fund	Recreation Facility Fund	Street Fund
Internal balances	<u>\$ (87,821)</u>	<u>\$ (410,048)</u>	<u>\$ 497,869</u>

During the course of its operations, the City has numerous transactions between funds to finance operation, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of December 31, 2011, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE T – NONCOMPLIANCE WITH STATE STATUTES

During the year ended December 31, 2011, the City inappropriately borrowed monies in the amount of \$497,869 from sales tax monies designated for the Street Department in order to meet cash requirements of the cemetery and recreation facilities operations. The City plans on repaying these funds over the next five years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BOLIVAR, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended December 31, 2011

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
02/28/09	\$ 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%
02/28/11	2,684,020	3,126,796	442,776	86%	2,306,855	19%

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, 2011, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
City sales tax	\$ 1,690,000	\$ 1,690,000	\$ 1,701,178	\$ 11,178
Utility franchise tax	193,000	193,000	196,500	3,500
Surtax	35,000	35,000	29,456	(5,544)
	<u>1,918,000</u>	<u>1,918,000</u>	<u>1,927,134</u>	<u>9,134</u>
Licenses and Permits				
Merchant licenses	25,000	25,000	24,737	(263)
Building permits	7,000	7,000	4,170	(2,830)
Solicitor permits	6,000	6,000	7,132	1,132
Garage sale permits	2,000	2,000	1,815	(185)
Trash permits	50	50	-	(50)
Inspection fees	27,000	27,000	36,106	9,106
Zoning fees	5,000	5,000	2,961	(2,039)
Code enforcement fees	100	100	453	353
Animal license and fees	9,000	9,000	7,897	(1,103)
	<u>81,150</u>	<u>81,150</u>	<u>85,271</u>	<u>4,121</u>
Intergovernmental Revenues				
Law enforcement grants	6,000	6,000	48,593	42,593
FEMA grants	-	-	30,885	30,885
Animal control grant	-	-	4,800	4,800
Emergency management grants	20,000	20,000	25,765	5,765
	<u>26,000</u>	<u>26,000</u>	<u>110,043</u>	<u>84,043</u>
Fines and Forfeitures				
City court fines	190,000	190,000	172,000	(18,000)
Miscellaneous fines and forfeitures	7,100	7,100	4,480	(2,620)
	<u>197,100</u>	<u>197,100</u>	<u>176,480</u>	<u>(20,620)</u>
Miscellaneous				
Interest	5,100	5,100	4,795	(305)
Other	355,775	355,775	212,063	(143,712)
	<u>360,875</u>	<u>360,875</u>	<u>216,858</u>	<u>(144,017)</u>
TOTAL REVENUES	<u>2,583,125</u>	<u>2,583,125</u>	<u>2,515,786</u>	<u>(67,339)</u>

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	398,370	403,370	318,065	85,305
Public safety	1,709,111	1,809,111	1,781,903	27,208
Municipal court	168,131	173,131	172,855	276
Community development	190,363	210,363	200,088	10,275
Animal pound	71,767	71,767	70,062	1,705
TOTAL EXPENDITURES	<u>2,537,742</u>	<u>2,667,742</u>	<u>2,542,973</u>	<u>124,769</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	45,383	(84,617)	(27,187)	57,430
OTHER FINANCING SOURCES (USES)				
Operating transfers in	6,500	28,200	34,586	6,386
Operating transfers (out)	-	-	(7,454)	(7,454)
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,500</u>	<u>28,200</u>	<u>27,132</u>	<u>(1,068)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	51,883	(56,417)	(55)	56,362
FUND BALANCE, January 1	349,993	349,993	349,993	-
FUND BALANCE, December 31	<u>\$ 401,876</u>	<u>\$ 293,576</u>	<u>\$ 349,938</u>	<u>\$ 56,362</u>

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales tax	\$ 790,000	\$ 790,000	\$ 798,593	\$ 8,593
Motor vehicle tax	350,000	350,000	346,522	(3,478)
	<u>1,140,000</u>	<u>1,140,000</u>	<u>1,145,115</u>	<u>5,115</u>
Permits and fees				
Storm water drain fees	1,000	1,000	1,713	713
Intergovernmental revenues	-	-	268,688	268,688
Miscellaneous				
Interest	1,500	1,500	277	(1,223)
Other	10,500	10,500	29,601	19,101
	<u>12,000</u>	<u>12,000</u>	<u>29,878</u>	<u>17,878</u>
TOTAL REVENUES	<u>1,153,000</u>	<u>1,153,000</u>	<u>1,445,394</u>	<u>292,394</u>
EXPENDITURES				
Current				
Transportation	991,286	1,251,286	1,159,364	91,922
Debt service				
Principal and interest	326,125	326,125	322,325	3,800
TOTAL EXPENDITURES	<u>1,317,411</u>	<u>1,577,411</u>	<u>1,481,689</u>	<u>95,722</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(164,411)	(424,411)	(36,295)	388,116
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	293,901	199,765	(94,136)
Operating transfers (out)	-	-	(73,450)	(73,450)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>293,901</u>	<u>126,315</u>	<u>(167,586)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(164,411)	(130,510)	90,020	220,530
FUND BALANCE, January 1	667,764	667,764	667,764	-
FUND BALANCE, December 31	<u>\$ 503,353</u>	<u>\$ 537,254</u>	<u>\$ 757,784</u>	<u>\$ 220,530</u>

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – ½ CENT CAPITAL IMPROVEMENT FUND
 Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 840,000	\$ 840,000	\$ 850,493	\$ 10,493
TOTAL REVENUES	840,000	840,000	850,493	10,493
EXPENDITURES				
Capital improvement	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	840,000	840,000	850,493	10,493
OTHER FINANCING (USES)				
Operating transfers (out)	-	(725,000)	(649,121)	75,879
TOTAL OTHER FINANCING (USES)	-	(725,000)	(649,121)	75,879
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER (USES)	840,000	115,000	201,372	86,372
FUND BALANCE, January 1	248,143	248,143	248,143	-
FUND BALANCE, December 31	<u>\$ 1,088,143</u>	<u>\$ 363,143</u>	<u>\$ 449,515</u>	<u>\$ 86,372</u>

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – RECREATION FACILITY FUND
 Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 395,000	\$ 395,000	\$ 398,230	\$ 3,230
Licenses and permits	4,500	4,500	-	(4,500)
Charges for services	98,800	98,800	65,293	(33,507)
Other	5,879,500	5,879,500	48,560	(5,830,940)
TOTAL REVENUES	<u>6,377,800</u>	<u>6,377,800</u>	<u>512,083</u>	<u>(5,865,717)</u>
EXPENDITURES				
Current				
Recreation and parks	209,000	209,000	242,821	(33,821)
Rails to trails	141,572	141,572	116,430	25,142
Aquatic center	5,850,000	5,850,000	3,919,088	1,930,912
Golf course	124,226	124,226	195,886	(71,660)
Debt Service				
Principal and interest	340,000	340,000	388,075	(48,075)
TOTAL EXPENDITURES	<u>6,664,798</u>	<u>6,664,798</u>	<u>4,862,300</u>	<u>1,802,498</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(286,998)	(286,998)	(4,350,217)	(4,063,219)
OTHER FINANCING SOURCES				
Operating transfers in	6,500	401,255	298,413	(102,842)
TOTAL OTHER FINANCING SOURCES	<u>6,500</u>	<u>401,255</u>	<u>298,413</u>	<u>(102,842)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(280,498)	114,257	(4,051,804)	(4,166,061)
FUND BALANCE, January 1	5,625,844	5,625,844	5,625,844	-
FUND BALANCE, December 31	<u>\$ 5,345,346</u>	<u>\$ 5,740,101</u>	<u>\$ 1,574,040</u>	<u>\$ (4,166,061)</u>

CITY OF BOLIVAR, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2011

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 City Administrator level. The City Administrator may direct transfers of appropriations within a department or between departments. Transfers of appropriations between funds require the express 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, 2011

	Special Revenue Funds				Permanent Funds			Total	
	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
ASSETS									
Cash and investments - unrestricted	\$ -	\$ -	\$ 67,886	\$ 326,102	\$ 200	\$ 281,340	\$ 28,565	\$ 41,581	\$ 745,674
Taxes receivable	-	-	64,965	-	-	-	-	-	64,965
Intergovernmental receivable	-	-	-	-	59,469	-	-	-	59,469
Other accounts receivable	-	407	-	-	16,580	-	-	-	16,987
Prepaid expenses	-	5,569	3,712	-	423	-	-	-	9,704
Restricted cash and cash equivalents	-	-	-	-	1,440	-	-	-	1,440
Restricted investments	-	91,873	-	-	-	-	-	-	91,873
TOTAL ASSETS	\$ -	\$ 97,849	\$ 136,563	\$ 326,102	\$ 78,112	\$ 281,340	\$ 28,565	\$ 41,581	\$ 990,112
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ 1,632	\$ 15,188	\$ 9,980	\$ 65,917	\$ -	\$ -	\$ 20	\$ 92,737
Accrued expenses	-	2,527	5,185	-	968	-	-	-	8,680
Due to other funds	-	87,821	-	-	-	-	-	-	87,821
Customer deposits payable	-	-	-	-	1,440	-	-	-	1,440
TOTAL LIABILITIES	-	91,980	20,373	9,980	68,325	-	-	20	190,678
Fund Balances									
Nonspendable:									
Prepaid items	-	5,569	3,712	-	423	-	-	-	9,704
Cemetery perpetual care	-	31,873	-	-	-	-	-	-	31,873
Permanent	-	-	-	-	-	281,340	28,565	41,561	351,466
Restricted for:									
Cemetery	-	60,000	-	-	-	-	-	-	60,000
Assigned to:									
Airport	-	-	-	-	9,364	-	-	-	9,364
Fire	-	-	112,478	-	-	-	-	-	112,478
Special road district	-	-	-	316,122	-	-	-	-	316,122
Unassigned	-	(91,573)	-	-	-	-	-	-	(91,573)
TOTAL FUND BALANCES	-	5,869	116,190	316,122	9,787	281,340	28,565	41,561	799,434
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 97,849	\$ 136,563	\$ 326,102	\$ 78,112	\$ 281,340	\$ 28,565	\$ 41,581	\$ 990,112

CITY OF BOLIVAR, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
 Year Ended December 31, 2011

	Special Revenue Funds					Permanent Funds			Total
	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	
REVENUES									
Taxes	\$ -	\$ -	\$ 399,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399,178
Charges for services	-	35,100	-	-	178,367	-	-	-	213,467
Intergovernmental revenues	-	-	3,234	182,387	76,916	-	-	-	262,537
Interest	-	1,278	-	-	-	2,352	-	114	3,744
Other	-	38,173	5,707	-	1,960	-	28,989	-	74,829
TOTAL REVENUES	-	74,551	408,119	182,387	257,243	2,352	28,989	114	953,755
EXPENDITURES									
Current									
Fire	-	-	425,871	-	-	984	-	-	426,855
Cemetery	-	169,127	-	-	-	-	-	-	169,127
Transportation	-	-	-	116,222	-	-	-	-	116,222
Airport	-	-	-	-	276,839	-	-	-	276,839
Economic development	5,418	-	-	-	-	-	-	-	5,418
Other	-	-	-	-	-	-	-	397	397
Debt service									
Principal and interest	-	-	65,576	-	94,854	-	-	-	160,430
TOTAL EXPENDITURES	5,418	169,127	491,447	116,222	371,693	984	-	397	1,155,288
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(5,418)	(94,576)	(83,328)	66,165	(114,450)	1,368	28,989	(283)	(201,533)
OTHER FINANCING SOURCES (USES)									
Operating transfers in (out)	5,116	8,572	5,798	-	86,517	-	(28,989)	258	77,272
TOTAL OTHER FINANCING SOURCES (USES)	5,116	8,572	5,798	-	86,517	-	(28,989)	258	77,272
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(302)	(86,004)	(77,530)	66,165	(27,933)	1,368	-	(25)	(124,261)
FUND BALANCE, January 1	302	91,873	193,720	249,957	37,720	279,972	28,565	41,586	923,695
FUND BALANCE, December 31	\$ -	\$ 5,869	\$ 116,190	\$ 316,122	\$ 9,787	\$ 281,340	\$ 28,565	\$ 41,561	\$ 799,434



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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, 2011, which collectively comprise the City of Bolivar, Missouri's basic financial statements and have issued our report thereon dated May 9, 2012. 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and responses to be a material weakness. It is identified as item 11-2.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 11-1.

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 May 9, 2012.

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.
May 9, 2012

CITY OF BOLIVAR, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2011

COMPLIANCE

11-1 Noncompliance with State Statutes

Condition: Management utilized sales tax monies designated for the Street Department, to finance cemetery and recreation facilities operations.

Criteria: The Transportation and Motor Vehicle Sales Tax monies were to be used for street improvements in the Bolivar area.

Effect: The City did not utilize tax funds as authorized by voters.

Cause: The City did not properly monitor its budget and cash balances and take necessary action to prevent utilizing monies from other funds.

Recommendation: The City develop a plan to repay sales tax monies to the Street Fund.

Response: Management is developing a plan to repay these funds.

MATERIAL WEAKNESS

11-2 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.