

CITY OF BOLIVAR, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2012

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bolivar, Missouri, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bolivar, Missouri, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* during the year ended December 31, 2012.

Other 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. The Combining Non-Major Fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2013, on our consideration of the City of Bolivar, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bolivar, Missouri's internal control over financial reporting and compliance.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
August 7, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2012

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, 2012. Please read it in conjunction with the City's financial statements, which begin on page 15.

Financial Highlights

- The net position of the City's governmental activities increased by \$1,679,604 or 13% for the year as a result of current year activities. The net position of the City's business activities increased by \$109,277 or 1% for the year.
- The assets of the City exceeded its liabilities as of December 31, 2012, by \$23 million (net position). Of this amount \$894,506 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$647,244 during the year primarily due to principal payments

Using This Annual Report

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

Government-Wide Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2012

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

- Governmental Activities – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- Business-Type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's 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 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 Position and the Statement of Activities) and the governmental funds are shown in reconciliations 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 Position and the Statement of Activities.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2012

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of December 31, 2012 and 2011:

	Governmental Activities	Business-Type Activities	Total December 31, 2012	Total December 31, 2011
Current and other assets	\$ 3,142,954	\$ 788,450	\$ 3,931,404	\$ 5,427,103
Capital assets	18,388,018	9,488,876	27,876,894	25,874,692
TOTAL ASSETS	21,530,972	10,277,326	31,808,298	31,301,795
Other liabilities	670,185	720,367	1,390,552	2,025,686
Long-term liabilities outstanding	6,423,730	1,133,253	7,556,983	8,204,227
TOTAL LIABILITIES	7,093,915	1,853,620	8,947,535	10,229,913
Net position:				
Net investment in capital assets	11,769,348	7,853,781	19,623,129	19,035,426
Restricted				
Non-expendable	383,960	-	383,960	383,339
Expendable	1,581,623	377,545	1,959,168	1,657,376
Unrestricted	702,126	192,380	894,506	(4,259)
TOTAL NET POSITION	\$ 14,437,057	\$ 8,423,706	\$ 22,860,763	\$ 21,071,882

Total net position of the City increased by \$1,788,881 for the year due to current year activities. Total liabilities for the City have decreased by \$1,282,378. Restricted net position of the City totaled \$2,343,128 as of December 31, 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2012

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2012	Total Year Ended December 31, 2011
REVENUES				
Program Revenues				
Charges for services	\$ 743,973	\$ 3,004,042	\$ 3,748,015	\$ 3,613,526
Operating grants and contributions	237,195	-	237,195	309,316
Capital grants and contributions	694,236	-	694,236	372,541
General Revenues				
Sales tax	4,165,509	-	4,165,509	4,147,672
Motor vehicle tax	370,070	-	370,070	346,522
Other taxes	29,450	-	29,450	29,456
Franchise fees	187,176	-	187,176	196,500
Interest	7,519	11,223	18,742	25,239
Other revenue	278,850	-	278,850	287,994
Transfers	(12,563)	12,563	-	-
TOTAL REVENUES AND TRANSFERS	6,701,415	3,027,828	9,729,243	9,328,766
EXPENSES				
Administrative	322,836	-	322,836	398,498
Public safety	1,585,552	-	1,585,552	1,756,629
Municipal Court	25,475	-	25,475	173,618
Community development	22,232	-	22,232	200,088
Animal pound	61,177	-	61,177	70,062
Recreation and parks	257,635	-	257,635	263,964
Rails to trails	128,926	-	128,926	131,232
Aquatic center	248,481	-	248,481	61,839
Golf course	169,809	-	169,809	141,954
Fire	375,905	-	375,905	507,055
Cemetery	106,210	-	106,210	176,585
Transportation	975,298	-	975,298	868,422
Airport	426,578	-	426,578	399,017
Economic development	5,197	-	5,197	5,418
Other	375	-	375	397
Debt service	310,125	-	310,125	405,766
Water and sewer	-	2,918,551	2,918,551	3,108,760
TOTAL EXPENSES	5,021,811	2,918,551	7,940,362	8,669,304
INCREASE IN NET POSITION	\$ 1,679,604	\$ 109,277	\$ 1,788,881	\$ 659,462

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2012**

Governmental Activities

Governmental activities increased the net position of the City by \$1,679,604. Tax revenues for the City were \$4,752,205, which represents 71% of the funding of these activities. Program revenues for the functions totaled \$1,675,404 or 25% 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	\$ 322,836	\$ 275,321
Public safety	1,585,552	1,380,714
Municipal court	25,475	25,475
Community development	22,232	(1,407)
Animal pound	61,177	55,657
Recreation and parks	257,635	253,321
Rails to trails	128,926	128,926
Aquatic center	248,481	201,335
Golf course	169,809	86,987
Fire	375,905	367,244
Cemetery	106,210	71,343
Transportation	975,298	680,419
Airport	426,578	(494,625)
Economic development	5,197	5,197
Other	375	375
Debt service	310,125	310,125
	\$ 5,021,811	\$ 3,346,407

Business-Type Activities

Business-type activities increased the City's net position by \$109,277. This is up from the increase received last year from the City's business-type activities. The increase incurred in the prior year was \$62,484.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2012, were \$2.8 million. The General Fund increased by \$129,197. The Street Fund increased by \$3,241. The Airport Fund increased by \$49,705. The ½ Cent Capital Improvement Fund increased by \$311,083. The Recreation Facility Fund decreased by \$1,830,374.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2012

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 \$2,420,900 was not amended during the year.
- The original expenditures budget of \$2,584,188 was increased to \$2,709,190.
- Budget adjustments were presented and approved by the Board of Aldermen. Budgeted revenues were \$58,805 above actual, and budgeted expenditures were \$806,128 above actual.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$18,388,018 (net of accumulated depreciation) as of December 31, 2012. This represents a \$2,476,601 increase from the prior year. Capital assets for business-type activities were \$9,488,876 as of December 31, 2012. This represents a decrease of \$474,399 from the prior year.

Debt

Total debt of the governmental activities as of December 31, 2012, was \$6,750,684, which is down \$304,661 from the prior year.

Total debt of the business-type activities as of December 31, 2012, was \$1,644,023, which is down \$511,258 from the prior year.

Economic Factors and Next Year's Budget

In the 2012 budget, General Fund revenues were budgeted with a series of assumptions that simply did not materialize. Further, whereas the revenues for the City were relatively flat from 2011, expenditures were not maintained at a subsequently lowered level for the first quarter of 2012, and a running deficit of some \$337,000 was the initial result. The state in which the City found itself as of April 1, 2012, therefore, left few options, and a reduction of staff, representing a reduction of salary and benefits annual expense of nearly \$950,000. While that amount was tempered by the fact that one quarter of the year had already passed, and was further reduced by the payments of unemployment and severances that would be paid from the reduction in force, there was still a savings for the year of approximately \$650,000. It was because of that effort, that the City was able to overcome the initial deficit for 2012, and finish the year with more than \$200,000 in surplus for the year.

The City saw a relatively flat (approaching 0%) change in revenues for 2012, however, through budget cuts (some detailed above), and alterations in management practices, the City found itself in a much more palatable position financially, with the ability to move forward into 2013 with anticipation with more successes following.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2012**

Contacting the City's Financial Management

For additional information or questions, please contact:

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Darin Chappell, City Administrator
Kimberly Strader, City Clerk

CITY OF BOLIVAR, MISSOURI
STATEMENT OF NET POSITION
December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority
ASSETS				
Current				
Cash and investments	\$ 1,996,976	\$ 27,032	\$ 2,024,008	\$ 116,451
Taxes receivable	673,953	-	673,953	-
Court fines receivable, net	38,933	-	38,933	-
Intergovernmental receivable	159,450	-	159,450	-
Utilities receivable, net	-	230,398	230,398	-
Other accounts receivable	84,077	-	84,077	-
Prepaid expenses	84,979	35,694	120,673	-
Noncurrent				
Restricted cash and cash equivalents	12,713	443,421	456,134	-
Restricted investments	91,873	51,905	143,778	-
Capital Assets:				
Non-depreciable	712,020	203,578	915,598	554,725
Depreciable, net	17,675,998	9,285,298	26,961,296	-
TOTAL ASSETS	21,530,972	10,277,326	31,808,298	671,176
LIABILITIES				
Current				
Accounts payable	201,440	59,334	260,774	-
Accrued expenses	73,922	29,781	103,703	-
Customer deposits payable	1,380	116,281	117,661	-
Court bonds payable	12,710	-	12,710	-
Accrued interest payable	53,779	4,201	57,980	-
Current portion of long-term debt	326,954	510,770	837,724	-
	670,185	720,367	1,390,552	-
Noncurrent				
Capital leases payable	411,572	1,100,992	1,512,564	-
Certificates of participation payable	5,880,144	-	5,880,144	-
Note payable	-	23,333	23,333	-
Post employment pension liability	115,103	-	115,103	-
Compensated absences	16,911	8,928	25,839	-
	6,423,730	1,133,253	7,556,983	-
TOTAL LIABILITIES	7,093,915	1,853,620	8,947,535	-
NET POSITION				
Net investment in capital assets	11,769,348	7,853,781	19,623,129	-
Restricted				
Non-expendable	383,960	-	383,960	-
Expendable	1,581,623	377,545	1,959,168	-
Unrestricted	702,126	192,380	894,506	671,176
TOTAL NET POSITION	\$ 14,437,057	\$ 8,423,706	\$ 22,860,763	\$ 671,176

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position			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	\$ (322,836)	\$ 43,397	\$ 4,118	\$ -	\$ (275,321)	\$ -	\$ (275,321)	\$ -
Public safety	(1,585,552)	160,233	43,354	1,251	(1,380,714)	-	(1,380,714)	-
Municipal court	(25,475)	-	-	-	(25,475)	-	(25,475)	-
Community development	(22,232)	23,639	-	-	1,407	-	1,407	-
Animal pound	(61,177)	5,257	263	-	(55,657)	-	(55,657)	-
Recreation and parks	(257,635)	4,150	164	-	(253,321)	-	(253,321)	-
Rails to trails	(128,926)	-	-	-	(128,926)	-	(128,926)	-
Aquatic center	(248,481)	27,542	-	19,604	(201,335)	-	(201,335)	-
Golf course	(169,809)	81,822	-	1,000	(86,987)	-	(86,987)	-
Fire	(375,905)	-	8,661	-	(367,244)	-	(367,244)	-
Cemetery	(106,210)	31,482	3,385	-	(71,343)	-	(71,343)	-
Transportation	(975,298)	-	177,250	117,629	(680,419)	-	(680,419)	-
Airport	(426,578)	366,451	-	554,752	494,625	-	494,625	-
Economic development	(5,197)	-	-	-	(5,197)	-	(5,197)	-
Other	(375)	-	-	-	(375)	-	(375)	-
Debt service	(310,125)	-	-	-	(310,125)	-	(310,125)	-
TOTAL GOVERNMENTAL ACTIVITIES	(5,021,811)	743,973	237,195	694,236	(3,346,407)	-	(3,346,407)	-
Business-Type Activities								
Water and Sewer	(2,918,551)	3,004,042	-	-	-	85,491	85,491	-
TOTAL BUSINESS-TYPE ACTIVITIES	(2,918,551)	3,004,042	-	-	-	85,491	85,491	-
TOTAL PRIMARY GOVERNMENT	\$ (7,940,362)	\$ 3,748,015	\$ 237,195	\$ 694,236	(3,346,407)	85,491	(3,260,916)	-
Component Unit								
Industrial Development Authority	\$ (11,595)	\$ -	\$ -	\$ -	-	-	-	(11,595)
General Revenues:								
					4,165,509	-	4,165,509	-
					370,070	-	370,070	-
					29,450	-	29,450	-
					187,176	-	187,176	-
					7,519	11,223	18,742	399
					278,850	-	278,850	263
					(12,563)	12,563	-	-
					5,026,011	23,786	5,049,797	662
					1,679,604	109,277	1,788,881	(10,933)
					12,757,453	8,314,429	21,071,882	682,109
					\$ 14,437,057	\$ 8,423,706	\$ 22,860,763	\$ 671,176

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2012

	Special Revenue Funds						
	General Fund	Street Fund	Airport Fund	1/2 Cent Capital Improvement Fund	Recreation Facility Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments - unrestricted	\$ 234,939	\$ 130,551	\$ 23,305	\$ 623,482	\$ 10,734	\$ 973,965	\$ 1,996,976
Taxes receivable	274,290	118,153	13,128	137,116	65,640	65,626	673,953
Court fines receivable, net	38,933	-	-	-	-	-	38,933
Intergovernmental receivable	8,952	144,137	6,361	-	-	-	159,450
Other accounts receivable	62,813	173	15,809	-	4,875	407	84,077
Prepaid expenses	30,618	20,303	9,103	-	17,776	7,179	84,979
Due from other funds	-	397,869	-	-	-	-	397,869
Restricted cash and cash equivalents	12,710	-	-	-	3	-	12,713
Restricted investments	-	-	-	-	-	91,873	91,873
TOTAL ASSETS	\$ 663,255	\$ 811,186	\$ 67,706	\$ 760,598	\$ 99,028	\$ 1,139,050	\$ 3,540,823
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 94,029	\$ 40,665	\$ 6,834	\$ -	\$ 37,700	\$ 22,212	\$ 201,440
Accrued expenses	52,770	9,496	-	-	7,614	4,042	73,922
Due to other funds	-	-	-	-	310,048	87,821	397,869
Customer deposits payable	-	-	1,380	-	-	-	1,380
Court bonds payable	12,710	-	-	-	-	-	12,710
Deferred revenue	24,611	-	-	-	-	-	24,611
TOTAL LIABILITIES	184,120	50,161	8,214	-	355,362	114,075	711,932
Fund Balances (Deficit)							
Nonspendable:							
Prepaid items	30,618	20,303	9,103	-	17,776	7,179	84,979
Cemetery perpetual care	-	-	-	-	-	31,873	31,873
Permanent	-	-	-	-	-	352,087	352,087
Restricted for:							
Debt service	-	-	-	-	3	-	3
Transportation	-	740,722	-	-	-	-	740,722
Capital improvements	-	-	-	760,598	-	-	760,598
Cemetery	-	-	-	-	-	60,000	60,000
Assigned to:							
Airport	-	-	50,389	-	-	-	50,389
Fire	-	-	-	-	-	247,690	247,690
Special road district	-	-	-	-	-	384,838	384,838
Economic development	-	-	-	-	-	9,332	9,332
Unassigned	448,517	-	-	-	(274,113)	(68,024)	106,380
TOTAL FUND BALANCES (DEFICIT)	479,135	761,025	59,492	760,598	(256,334)	1,024,975	2,828,891
TOTAL LIABILITIES AND FUND BALANCES	\$ 663,255	\$ 811,186	\$ 67,706	\$ 760,598	\$ 99,028	\$ 1,139,050	\$ 3,540,823

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET POSITION
 December 31, 2012

Fund balance - total governmental funds	\$ 2,828,891
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	25,175,847
Less accumulated depreciation	<u>(6,787,829)</u>
	18,388,018
Adjustment of deferred revenue	24,611
Interest on long-term debt is not accrued in governmental funds, but rather recognized as an expenditure when due	(53,779)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(6,750,684)</u>
Net position of governmental activities	<u><u>\$ 14,437,057</u></u>

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
 Year Ended December 31, 2012

	Special Revenue Funds						
	General Fund	Street Fund	Airport Fund	1/2 Cent Capital Improvement Fund	Recreation Facility Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 1,917,771	\$ 1,093,668	\$ 80,400	\$ 850,464	\$ 405,544	\$ 404,358	\$ 4,752,205
Licenses and permits	58,327	-	-	-	-	-	58,327
Charges for services	-	-	366,451	-	113,515	24,223	504,189
Intergovernmental revenues	48,623	117,629	554,752	-	-	185,911	906,915
Fines and forfeitures	151,398	-	-	-	-	-	151,398
Interest	5,793	277	-	-	39	1,410	7,519
Other	180,183	7,338	2,151	-	55,787	87,966	333,425
TOTAL REVENUES	2,362,095	1,218,912	1,003,754	850,464	574,885	703,868	6,713,978
EXPENDITURES							
Current							
Administrative	295,994	-	-	-	-	-	295,994
Public safety	1,496,526	-	-	-	-	-	1,496,526
Municipal court	27,133	-	-	-	-	-	27,133
Community development	22,232	-	-	-	-	-	22,232
Animal pound	61,177	-	-	-	-	-	61,177
Recreation and parks	-	-	-	-	176,516	-	176,516
Rails to trails	-	-	-	-	114,124	-	114,124
Aquatic center	-	-	-	-	2,161,807	-	2,161,807
Golf course	-	-	-	-	181,945	-	181,945
Fire	-	-	-	-	-	297,506	297,506
Cemetery	-	-	-	-	-	103,503	103,503
Transportation	-	1,193,344	-	-	-	108,534	1,301,878
Airport	-	-	933,575	-	-	-	933,575
Economic development	-	-	-	-	-	5,197	5,197
Other	-	-	-	-	-	375	375
Debt Service							
Principal and interest	-	322,327	35,874	-	388,648	-	746,849
TOTAL EXPENDITURES	1,903,062	1,515,671	969,449	-	3,023,040	515,115	7,926,337
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	459,033	(296,759)	34,305	850,464	(2,448,155)	188,753	(1,212,359)
OTHER FINANCING SOURCES (USES)							
Lease proceeds	123,102	-	-	-	-	-	123,102
Operating transfer in (out)	(452,938)	300,000	15,400	(539,381)	617,781	46,575	(12,563)
TOTAL OTHER FINANCING SOURCES (USES)	(329,836)	300,000	15,400	(539,381)	617,781	46,575	110,539
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	129,197	3,241	49,705	311,083	(1,830,374)	235,328	(1,101,820)
FUND BALANCE, January 1	349,938	757,784	9,787	449,515	1,574,040	789,647	3,930,711
FUND BALANCE (DEFICIT), December 31	\$ 479,135	\$ 761,025	\$ 59,492	\$ 760,598	\$ (256,334)	\$ 1,024,975	\$ 2,828,891

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, 2012

Net change in fund balances - total governmental funds \$ (1,101,820)

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

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

Capital outlay	3,167,980
Depreciation	<u>(691,379)</u>
	2,476,601

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.

Lease proceeds	(123,102)
Discount on certificates of participation	(11,602)
Accrued interest payable	162
Repayment of principal on leases	<u>448,164</u>
	313,622

Some expenditures reported in the governmental funds represent the use of current
 financial resources and were recognized in the statement of activities when incurred. (8,799)

Change in net position of governmental activities \$ 1,679,604

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUND
December 31, 2012

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets	
Cash and investments	\$ 27,032
Utilities receivable, net	230,398
Prepaid expenses	35,694
	<hr/>
TOTAL CURRENT ASSETS	293,124
Restricted Assets	
Cash and cash equivalents	443,421
Investments	51,905
	<hr/>
TOTAL RESTRICTED ASSETS	495,326
Property, Plant and Equipment	17,699,808
Less Accumulated Depreciation	(8,210,932)
	<hr/>
TOTAL PROPERTY, PLANT AND EQUIPMENT	9,488,876
	<hr/>
TOTAL ASSETS	10,277,326
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	59,334
Accrued expenses	29,781
Accrued interest payable	4,201
Customer deposits	116,281
Current portion of long-term debt	510,770
	<hr/>
TOTAL CURRENT LIABILITIES	720,367
Long-Term Liabilities	
Capital leases payable	1,100,992
Note payable	23,333
Compensated absences payable	8,928
	<hr/>
TOTAL LONG-TERM LIABILITIES	1,133,253
	<hr/>
TOTAL LIABILITIES	1,853,620
Net Position	
Net investment in capital assets	7,853,781
Restricted	377,545
Unrestricted	192,380
	<hr/>
TOTAL NET POSITION	<u>\$ 8,423,706</u>

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ENTERPRISE FUND
Year Ended December 31, 2012

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 2,914,419
Other charges	<u>89,623</u>
TOTAL OPERATING REVENUES	3,004,042
OPERATING EXPENSES	
Salaries and wages	759,260
Employee Benefits	196,733
Materials and supplies	256,987
Utilities	563,356
Insurance	107,554
Repairs and maintenance	185,066
Travel and conferences	11,505
Depreciation	615,746
Miscellaneous	<u>133,254</u>
TOTAL OPERATING EXPENSES	<u>2,829,461</u>
OPERATING INCOME	174,581
NONOPERATING REVENUES (EXPENSES)	
Interest income	11,223
Interest expense	<u>(89,090)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(77,867)</u>
INCOME BEFORE OPERATING TRANSFERS	96,714
OPERATING TRANSFERS IN	<u>12,563</u>
NET INCOME	109,277
NET POSITION, January 1	<u>8,314,429</u>
NET POSITION, December 31	<u><u>\$ 8,423,706</u></u>

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
Year Ended December 31, 2012

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,006,320
Cash paid to employees	(955,522)
Cash paid to suppliers	<u>(1,316,143)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	734,655
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>12,563</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	12,563
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(71,347)
Payment of principal on revenue bonds	(185,000)
Payment of principal on capital leases	(377,382)
Payment of principal on note	(23,334)
Payment of interest expense	<u>(93,069)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(750,132)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	11,223
Maturity of investments	<u>324</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	11,547
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,633
CASH AND CASH EQUIVALENTS, Beginning of year	<u>461,820</u>
CASH AND CASH EQUIVALENTS, End of year	470,453
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>(443,421)</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 27,032</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 174,581
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	615,746
(Increase) decrease in:	
Utilities receivable	5,407
Other receivables	3,062
Prepaid expenses	36,275
Increase (decrease) in:	
Accounts payable	(94,696)
Accrued expenses	(3,987)
Compensated absences	4,458
Customer deposits payable	<u>(6,191)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 734,655</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. 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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, 2012

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 years' 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 Position.

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 Position

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

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

Restricted – Consists of net position 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 – Consists of net position that does not meet the determination of net investment in capital assets or the restricted component of net position.

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

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.

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 Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 63 – *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* for reporting periods beginning after December 15, 2011. This statement provides financial reporting guidance and standardization for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements of Statement No. 34 – *Basic Financial Statements and Management’s Discussion and Analysis*, by incorporating deferred inflows and deferred outflows into the definition of the required components of residual measure and by renaming that measure as net position, rather than net assets.

The Governmental Accounting Standards Board (GASB) issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities* (GASB 65) effective for reporting periods beginning after December 15, 2012, though early application was encouraged. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources, certain items that were previously reported as assets and liabilities.

The City adopted GASB Statements No. 63 and 65 for the year ended December 31, 2012.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

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, 2012, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

The City’s investments as of December 31, 2012, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Series EE Treasury bonds	12/1/2032	\$ 9,306
Certificates of Deposit	2/1/2013 - 7/10/2013	655,305
Guaranteed Investment Contracts	6/30/2023	51,905
		<u>\$ 716,516</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, 2012, 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, 2012

NOTE D – RESTRICTED ASSETS

Governmental Activities

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

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
GENERAL FUND		
Court bonds	\$ 12,710	\$ -
STREET FUND		
Transportation taxes	\$ -	\$ 761,025
1/2 CENT CAPITAL IMPROVEMENT FUND		
Capital improvement taxes	\$ -	\$ 760,598
RECREATION FACILITY FUND		
Certificate of participation proceeds	\$ 3	\$ -
NON-MAJOR GOVERNMENTAL FUNDS		
Cemetery perpetual care	\$ 31,873	\$ 31,873
Cemetery donations	60,000	60,000
Corbett donation	-	281,731
Bolivar Charitable Trust	-	28,565
Plaza of the Americas	-	41,791
	<u>\$ 91,873</u>	<u>\$ 443,960</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 position. 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, 2012

NOTE D – RESTRICTED ASSETS (continued)

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
1998B Revenue Bonds		
Debt service reserve	\$ 7,000	\$ 7,000
Depreciation and replacement	3,750	3,750
2002 Revenue Bonds		
Debt service reserve	31,086	31,086
Principal and interest	62,554	62,554
Wastewater Improvements	273,155	273,155
Utility Deposits	116,281	-
Performance Bonds	1,500	-
	<u>\$ 495,326</u>	<u>\$ 377,545</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	\$ 231,718	\$ 1,320	\$ 230,398
COURT FINES RECEIVABLE			
General Fund	\$ 145,327	\$ 106,394	\$ 38,933

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

The business-type activities long-term debt at December 31, 2012, consists of two Revenue Bond issues; Series 1998B and Series 2002, three capital lease obligations, a note payable, and compensated absences.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

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, 2012, are due as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$ 70,000	\$ 3,605	\$ 73,605

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, 2012, are due as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$ 120,000	\$ 6,600	\$ 126,600

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, 2012

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
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	791,941
LESS AMOUNT REPRESENTING INTEREST	(150,302)
PRINCIPAL BALANCE, DECEMBER 31, 2012	\$ 641,639

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, 2012

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
2013	\$ 195,954	\$ 12,126	\$ 208,080
2014	202,641	5,439	208,080
2015	51,731	326	52,057
	\$ 450,326	\$ 17,891	\$ 468,217

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
2013	\$ 21,140	\$ 13,036	\$ 34,176
2014	285,324	5,141	290,465
	\$ 306,464	\$ 18,177	\$ 324,641

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

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

Note Payable – Land

On January 26, 2012, the City entered into an agreement to finance the purchase of land. The agreement requires annual payments of \$23,334 with 0% interest.

The following is a schedule of future payments:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 23,333	\$ -	\$ 23,333
2014	23,333	-	23,333
	<u>\$ 46,666</u>	<u>\$ -</u>	<u>\$ 46,666</u>

A summary of the changes in long-term debt – business-type activities for the year ended December 31, 2012, is as follows:

	<u>Balance</u> <u>December 31,</u> <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31,</u> <u>2012</u>
Revenue Bonds Payable	\$ 375,000	\$ -	\$ 185,000	\$ 190,000
Capital Leases Payable	1,775,811	-	377,382	1,398,429
Note Payable	-	70,000	23,334	46,666
Compensated Absences Payable	4,470	4,458	-	8,928
	<u>\$ 2,155,281</u>	<u>\$ 74,458</u>	<u>\$ 585,716</u>	<u>\$ 1,644,023</u>

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at December 31, 2012, consists of six capital lease obligations, Series 2010A and 2010B Certificates of Participation, compensated absences, and post-employment pension obligation.

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 – 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 2013 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%.

Capital Lease Agreement – Technology Equipment

During 2012, the City entered into a lease purchase agreement to finance the purchase of technology equipment. The agreement requires monthly payments of \$2,496 including interest at 8%.

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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	Technology Equipment Lease	Total
2013	\$ 155,467	\$ 1,592	\$ 29,041	\$ 57,624	\$ 11,391	\$ 29,953	\$ 285,068
2014	-	-	21,332	57,624	96,826	29,953	205,735
2015	-	-	-	57,624	-	29,953	87,577
2016	-	-	-	57,624	-	29,953	87,577
2017	-	-	-	43,218	-	29,953	73,171
TOTAL MINIMUM LEASE PAYMENTS	155,467	1,592	50,373	273,714	108,217	149,765	739,128
LESS AMOUNT REPRESENTING INTEREST	(2,265)	(5)	(2,862)	(32,745)	(6,062)	(26,663)	(70,602)
PRINCIPAL BALANCE, DECEMBER 31, 2012	<u>\$ 153,202</u>	<u>\$ 1,587</u>	<u>\$ 47,511</u>	<u>\$ 240,969</u>	<u>\$ 102,155</u>	<u>\$ 123,102</u>	<u>\$ 668,526</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 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, 2012, are due as follows:

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

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

Year Ended December 31,	Principal	Interest	Interest Subsidy	Total
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>\$ 6,275,000</u>	<u>\$ 9,544,101</u>	<u>\$ (3,153,514)</u>	<u>\$ 12,665,587</u>

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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, 2012, is as follows:

	Balance December 31, 2011	Additions	Retirements	Balance December 31, 2012
Capital Leases Payable	\$ 928,588	\$ 123,102	\$ 383,164	\$ 668,526
Certificates of Participation	6,340,000	-	65,000	6,275,000
Less: Discount on Certificates of Participation	(336,458)	-	(11,602)	(324,856)
	<u>6,003,542</u>	<u>-</u>	<u>53,398</u>	<u>5,950,144</u>
Compensated Absences Payable	34,923	-	18,012	16,911
Post Employment Pension Liability	88,292	26,811	-	115,103
	<u>\$ 7,055,345</u>	<u>\$ 149,913</u>	<u>\$ 454,574</u>	<u>\$ 6,750,684</u>

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

Primary Government

	Balance December 31, 2011	Additions	Deletions	Balance December 31, 2012
GOVERNMENTAL ACTIVITIES				
Non-depreciable Capital Assets:				
Land	\$ 712,020	\$ -	\$ -	\$ 712,020
Construction in progress	4,216,272	2,538,684	6,754,956	-
Total Non-depreciable Capital Assets	4,928,292	<u>\$ 2,538,684</u>	<u>\$ 6,754,956</u>	712,020

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE H – CAPITAL ASSETS (continued)

	Balance December 31, 2011	Additions	Deletions	Balance December 31, 2012
Depreciable Capital Assets:				
Buildings and land improvements	3,731,877	\$ 6,189,482	\$ -	9,921,359
Equipment and furniture	4,562,290	120,682	-	4,682,972
Infrastructure	8,785,408	1,074,088	-	9,859,496
Total Depreciable Capital Assets	17,079,575	\$ 7,384,252	\$ -	24,463,827
Less Accumulated Depreciation	(6,096,450)	\$ (691,379)	\$ -	(6,787,829)
Total Depreciable Capital Assets, net	10,983,125			17,675,998
Total Governmental Activities Capital Assets, net	\$ 15,911,417			\$ 18,388,018

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

Administrative	\$ 100,198
Fire	78,399
Public safety	65,575
Recreation and parks	80,628
Rails to trails	14,802
Golf course	10,364
Transportation	207,510
Airport	127,262
Cemetery	6,641
	<u>\$ 691,379</u>

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE H – CAPITAL ASSETS (continued)

	Balance December 31, 2011	Additions	Deletions	Balance December 31, 2012
BUSINESS-TYPE ACTIVITIES				
Non-depreciable Capital Assets:				
Land	\$ 62,231	\$ 70,000	\$ -	\$ 132,231
Construction in progress	-	71,347	-	71,347
Total Non-depreciable Capital Assets	62,231	<u>\$ 141,347</u>	<u>\$ -</u>	203,578
Depreciable Capital Assets:				
Equipment and furniture	1,856,957	\$ -	\$ -	1,856,957
Water and sewer system	15,056,280	-	-	15,056,280
Buildings and improvements	582,993	-	-	582,993
Total Depreciable Capital Assets	17,496,230	<u>\$ -</u>	<u>\$ -</u>	17,496,230
Less Accumulated Depreciation	(7,595,186)	<u>\$ (615,746)</u>	<u>\$ -</u>	(8,210,932)
Total Depreciable Capital Assets, net	9,901,044			9,285,298
Total Business-Type Activities Capital Assets, net	<u>\$ 9,963,275</u>			<u>\$ 9,488,876</u>

Industrial Development Authority

Component Unit

	Balance December 31, 2011	Additions	Deletions	Balance December 31, 2012
Non-depreciable Capital Assets:				
Land	\$ 554,725	\$ -	\$ -	\$ 554,725
Total Non-Depreciable Capital Assets	<u>\$ 554,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 554,725</u>

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE I – ASSESSED VALUATION AND LEGAL DEBT MARGIN

The assessed valuation of the tangible property is as follows:

	<u>2012</u>
Assessed Valuation	
Real estate	\$ 78,213,091
Personal property	<u>15,477,288</u>
TOTAL	<u><u>\$ 93,690,379</u></u>

The legal debt margin at December 31, 2012, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 9,369,038	\$ 9,369,038	\$ 18,738,076
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u><u>\$ 9,369,038</u></u>	<u><u>\$ 9,369,038</u></u>	<u><u>\$ 18,738,076</u></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.

(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 J – 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 5.9% (General), 3.9% (Police), and 13.0% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

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

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

Annual required contribution	\$ 135,855
Interest on net pension obligation	6,401
Adjustment to annual required contribution	(5,810)
Annual pension cost	<u>136,446</u>
Actual contributions	<u>109,635</u>
Increase in NPO	26,811
NPO beginning of year	<u>88,292</u>
NPO end of year	<u><u>\$ 115,103</u></u>

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE J – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2010, and/or February 28, 2011, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2010, was 30 years for the General division, 1 year for the Police division, and 6 years for the Fire division. The amortization period as of February 28, 2011, was 30 years for the General division, 30 years for the Police division, and 3 years for the Fire division

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 106,967	65.8%	\$ 36,583
2011	151,007	65.8%	88,292
2012	136,446	80.4%	115,103

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
2/29/2012	\$ 3,011,408	\$ 3,316,875	\$ 305,467	91%	\$ 2,130,651	14%

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.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE K – RISK MANAGEMENT

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

NOTE L – 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, 2012, 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.

NOTE M – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2012, were as follows:

	Transfers In (Out)
General Fund	\$ (452,938)
Street Fund	300,000
Airport Fund	15,400
1/2 Cent Capital Improvement Fund	(539,381)
Recreation Facility Fund	617,781
Non-major Funds	46,575
Water and Sewer Fund	12,563
	<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.

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE N – COMMITMENTS

At December 31, 2012, the City had the following commitments:

- Hunter Chase and Associates for construction services related to a sidewalk project in the amount of \$44,333.
- Olsson Associates for engineering services related to the wastewater treatment plant disinfection improvements in the amount of \$23,000.
- Smith & Edwards Construction, Inc. for construction services related to the wastewater treatment plant disinfection improvements in the amount of \$1,137,800.

NOTE O – LINE OF CREDIT

At December 31, 2012, the City had an operating unsecured line of credit for \$250,000 to be drawn upon as needed. As of December 31, 2012, no draws have been made. The City renewed the line of credit on January 1, 2013, and it will mature on December 31, 2013.

NOTE P – 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 \$200,205. Principal and interest paid for the current year and total customer net revenues were \$204,820 and \$790,327, respectively.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE Q – 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, 2012, is accounted for as follows:

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

NOTE R – INTERNAL BALANCES

Internal balances as of December 31, 2012, consisted of the following:

	Greenwood Cemetery Fund	Recreation Facility Fund	Street Fund
Internal balances	<u><u>\$ (87,821)</u></u>	<u><u>\$ (310,048)</u></u>	<u><u>\$ 397,869</u></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, 2012, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE S – RESTATEMENT

During the year ended December 31, 2012, the City adopted the provisions of GASB statement Number 65 – *Items Previously Reported as Assets and Liabilities*. Net position has been restated for the adoption as follows:

<u>Governmental Activities</u>	
Net Position, as previously stated, December 31, 2011	\$ 12,851,357
Bond issue costs	<u>(93,904)</u>
Net Position, as restated, January 1, 2012	<u><u>\$ 12,757,453</u></u>

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE T – SUBSEQUENT EVENT

In April 2013, the City entered into a lease agreement with Clayton Holdings LLC to finance the wastewater treatment plant disinfection improvements in the amount of \$1,804,084 with interest at 2.29%. In addition to the improvements, the financing will also pay off the 2008 lease purchase agreement for wastewater improvements.

NOTE U – DEFICIT FUND BALANCE

As of December 31, 2012, the City had a deficit fund balance of \$256,334 in the Recreation Facility Fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BOLIVAR, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended December 31, 2012

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
2/28/2010	\$ 2,284,707	\$ 2,661,883	\$ 377,176	86%	\$ 2,235,121	17%
2/28/2011	2,684,020	3,126,796	442,776	86%	2,306,855	19%
2/29/2012	3,011,408	3,316,875	305,467	91%	2,130,651	14%

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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales tax	\$ 1,692,000	\$ 1,692,000	\$ 1,701,145	\$ 9,145
Utility franchise tax	212,500	212,500	187,176	(25,324)
Surtax	32,500	32,500	29,450	(3,050)
	<u>1,937,000</u>	<u>1,937,000</u>	<u>1,917,771</u>	<u>(19,229)</u>
Licenses and Permits				
Merchant licenses	25,000	25,000	20,400	(4,600)
Building permits	3,000	3,000	1,952	(1,048)
Solicitor permits	7,000	7,000	6,570	(430)
Garage sale permits	2,000	2,000	215	(1,785)
Inspection fees	33,000	33,000	20,626	(12,374)
Zoning fees	3,000	3,000	1,060	(1,940)
Animal license and fees	8,300	8,300	7,504	(796)
	<u>81,300</u>	<u>81,300</u>	<u>58,327</u>	<u>(22,973)</u>
Intergovernmental Revenues				
Law enforcement grants	-	-	29,409	29,409
FEMA grants	-	-	4,118	4,118
Emergency management grants	20,000	20,000	15,096	(4,904)
	<u>20,000</u>	<u>20,000</u>	<u>48,623</u>	<u>28,623</u>
Fines and Forfeitures				
City court fines	185,000	185,000	148,056	(36,944)
Miscellaneous fines and forfeitures	4,500	4,500	3,342	(1,158)
	<u>189,500</u>	<u>189,500</u>	<u>151,398</u>	<u>(38,102)</u>
Miscellaneous				
Interest	5,000	5,000	5,793	793
Other	188,100	188,100	180,183	(7,917)
	<u>193,100</u>	<u>193,100</u>	<u>185,976</u>	<u>(7,124)</u>
TOTAL REVENUES	<u>2,420,900</u>	<u>2,420,900</u>	<u>2,362,095</u>	<u>(58,805)</u>

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	620,328	748,330	295,994	452,336
Public safety	1,606,535	1,603,535	1,496,526	107,009
Municipal court	112,833	112,833	27,133	85,700
Community development	170,989	170,989	22,232	148,757
Animal pound	73,503	73,503	61,177	12,326
TOTAL EXPENDITURES	<u>2,584,188</u>	<u>2,709,190</u>	<u>1,903,062</u>	<u>806,128</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(163,288)	(288,290)	459,033	747,323
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	-	123,102	123,102
Operating transfers in	163,900	163,900	76,562	(87,338)
Operating transfers (out)	-	-	(529,500)	(529,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>163,900</u>	<u>163,900</u>	<u>(329,836)</u>	<u>(493,736)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	612	(124,390)	129,197	253,587
FUND BALANCE, January 1	<u>349,938</u>	<u>349,938</u>	<u>349,938</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 350,550</u>	<u>\$ 225,548</u>	<u>\$ 479,135</u>	<u>\$ 253,587</u>

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales tax	\$ 810,000	\$ 810,000	\$ 723,598	\$ (86,402)
Motor vehicle tax	357,000	357,000	370,070	13,070
	<u>1,167,000</u>	<u>1,167,000</u>	<u>1,093,668</u>	<u>(73,332)</u>
Permits and fees				
Storm water drain fees	1,000	1,000	-	(1,000)
Intergovernmental revenues	300,000	300,000	117,629	(182,371)
Miscellaneous				
Interest	800	800	277	(523)
Other	6,500	6,500	7,338	838
	<u>7,300</u>	<u>7,300</u>	<u>7,615</u>	<u>315</u>
TOTAL REVENUES	<u>1,475,300</u>	<u>1,475,300</u>	<u>1,218,912</u>	<u>(256,388)</u>
EXPENDITURES				
Current				
Transportation	1,114,762	1,114,762	1,193,344	(78,582)
Debt service				
Principal and interest	443,125	443,125	322,327	120,798
TOTAL EXPENDITURES	<u>1,557,887</u>	<u>1,557,887</u>	<u>1,515,671</u>	<u>42,216</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(82,587)	(82,587)	(296,759)	(214,172)
OTHER FINANCING SOURCES				
Operating transfers in	82,600	82,600	300,000	217,400
TOTAL OTHER FINANCING SOURCES	<u>82,600</u>	<u>82,600</u>	<u>300,000</u>	<u>217,400</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	13	13	3,241	3,228
FUND BALANCE, January 1	<u>757,784</u>	<u>757,784</u>	<u>757,784</u>	<u>-</u>
FUND BALANCE, December 31	<u><u>\$ 757,797</u></u>	<u><u>\$ 757,797</u></u>	<u><u>\$ 761,025</u></u>	<u><u>\$ 3,228</u></u>

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – AIRPORT FUND
 Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales tax	\$ -	\$ -	\$ 80,400	\$ 80,400
Charge for services	382,000	382,000	366,451	(15,549)
Intergovernmental revenue	475,000	600,000	554,752	(45,248)
Other	2,500	2,500	2,151	(349)
TOTAL REVENUES	<u>859,500</u>	<u>984,500</u>	<u>1,003,754</u>	<u>19,254</u>
EXPENDITURES				
Current				
Airport	772,531	888,531	933,575	(45,044)
Debt Service				
Principal and interest	96,350	96,350	35,874	60,476
TOTAL EXPENDITURES	<u>868,881</u>	<u>984,881</u>	<u>969,449</u>	<u>15,432</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	(9,381)	(381)	34,305	34,686
OTHER FINANCING SOURCES				
Operating transfers in	9,500	9,500	15,400	5,900
TOTAL OTHER FINANCING SOURCES	<u>9,500</u>	<u>9,500</u>	<u>15,400</u>	<u>5,900</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES				
	119	9,119	49,705	40,586
FUND BALANCE, January 1	9,787	9,787	9,787	-
FUND BALANCE, December 31	<u>\$ 9,906</u>	<u>\$ 18,906</u>	<u>\$ 59,492</u>	<u>\$ 40,586</u>

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – ½ CENT CAPITAL IMPROVEMENT FUND
 Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales tax	\$ 865,000	\$ 865,000	\$ 850,464	\$ (14,536)
TOTAL REVENUES	865,000	865,000	850,464	(14,536)
EXPENDITURES				
Capital improvement	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	865,000	865,000	850,464	(14,536)
OTHER FINANCING (USES)				
Operating transfers (out)	(865,000)	(865,000)	(539,381)	325,619
TOTAL OTHER FINANCING (USES)	(865,000)	(865,000)	(539,381)	325,619
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER (USES)	-	-	311,083	311,083
FUND BALANCE, January 1	449,515	449,515	449,515	-
FUND BALANCE, December 31	\$ 449,515	\$ 449,515	\$ 760,598	\$ 311,083

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – RECREATION FACILITY FUND
 Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales tax	\$ 405,000	\$ 405,000	\$ 405,544	\$ 544
Charges for services	740,464	740,464	113,515	(626,949)
Interest	-	-	39	39
Other	2,126,000	2,126,000	55,787	(2,070,213)
TOTAL REVENUES	3,271,464	3,271,464	574,885	(2,696,579)
EXPENDITURES				
Current				
Recreation and parks	312,400	312,400	176,516	135,884
Rails to trails	101,089	101,089	114,124	(13,035)
Aquatic center	2,756,564	2,756,564	2,161,807	594,757
Golf course	165,858	165,858	181,945	(16,087)
Debt Service				
Principal and interest	388,000	388,000	388,648	(648)
TOTAL EXPENDITURES	3,723,911	3,723,911	3,023,040	700,871
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	(452,447)	(452,447)	(2,448,155)	(1,995,708)
OTHER FINANCING SOURCES				
Operating transfers in	452,500	452,500	617,781	165,281
TOTAL OTHER FINANCING SOURCES	452,500	452,500	617,781	165,281
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES				
	53	53	(1,830,374)	(1,830,427)
FUND BALANCE, January 1	1,574,040	1,574,040	1,574,040	-
FUND BALANCE (DEFICIT), December 31	<u>\$ 1,574,093</u>	<u>\$ 1,574,093</u>	<u>\$ (256,334)</u>	<u>\$ (1,830,427)</u>

CITY OF BOLIVAR, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2012

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, 2012

	Special Revenue Funds				Permanent Funds			Total
	Economic Development Fund	Greenwood Cemetery Fund	Fire Fund	Special Road District Fund	Corbett Donation Fund	Bolivar Charitable Trust Fund	Plaza of the Americas Fund	
ASSETS								
Cash and investments - unrestricted	\$ 9,332	\$ 23,196	\$ 194,815	\$ 394,486	\$ 281,731	\$ 28,565	\$ 41,840	\$ 973,965
Taxes receivable	-	-	65,626	-	-	-	-	65,626
Other accounts receivable	-	407	-	-	-	-	-	407
Prepaid expenses	471	1,800	4,908	-	-	-	-	7,179
Restricted investments	-	91,873	-	-	-	-	-	91,873
TOTAL ASSETS	\$ 9,803	\$ 117,276	\$ 265,349	\$ 394,486	\$ 281,731	\$ 28,565	\$ 41,840	\$ 1,139,050
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ 3,783	\$ 8,732	\$ 9,648	\$ -	\$ -	\$ 49	\$ 22,212
Accrued expenses	-	23	4,019	-	-	-	-	4,042
Due to other funds	-	87,821	-	-	-	-	-	87,821
TOTAL LIABILITIES	-	91,627	12,751	9,648	-	-	49	114,075
Fund Balances								
Nonspendable:								
Prepaid items	471	1,800	4,908	-	-	-	-	7,179
Cemetery perpetual care	-	31,873	-	-	-	-	-	31,873
Permanent	-	-	-	-	281,731	28,565	41,791	352,087
Restricted for:								
Cemetery	-	60,000	-	-	-	-	-	60,000
Assigned to:								
Economic development	9,332	-	-	-	-	-	-	9,332
Fire	-	-	247,690	-	-	-	-	247,690
Special road district	-	-	-	384,838	-	-	-	384,838
Unassigned	-	(68,024)	-	-	-	-	-	(68,024)
TOTAL FUND BALANCES	9,803	25,649	252,598	384,838	281,731	28,565	41,791	1,024,975
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,803	\$ 117,276	\$ 265,349	\$ 394,486	\$ 281,731	\$ 28,565	\$ 41,840	\$ 1,139,050

CITY OF BOLIVAR, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
 Year Ended December 31, 2012

	Special Revenue Funds				Permanent Funds			Total
	Economic Development Fund	Greenwood Cemetery Fund	Fire Fund	Special Road District Fund	Corbett Donation Fund	Bolivar Charitable Trust Fund	Plaza of the Americas Fund	
REVENUES								
Taxes	\$ -	\$ -	\$ 404,358	\$ -	\$ -	\$ -	\$ -	\$ 404,358
Charges for services	-	24,223	-	-	-	-	-	24,223
Intergovernmental revenues	-	-	8,661	177,250	-	-	-	185,911
Interest	-	456	-	-	849	-	105	1,410
Other	-	42,404	14,156	-	-	31,406	-	87,966
TOTAL REVENUES	-	67,083	427,175	177,250	849	31,406	105	703,868
EXPENDITURES								
Current								
Fire	-	-	297,048	-	458	-	-	297,506
Cemetery	-	103,503	-	-	-	-	-	103,503
Transportation	-	-	-	108,534	-	-	-	108,534
Economic development	5,197	-	-	-	-	-	-	5,197
Other	-	-	-	-	-	-	375	375
TOTAL EXPENDITURES	5,197	103,503	297,048	108,534	458	-	375	515,115
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(5,197)	(36,420)	130,127	68,716	391	31,406	(270)	188,753
OTHER FINANCING SOURCES (USES)								
Operating transfers in (out)	15,000	56,200	6,281	-	-	(31,406)	500	46,575
TOTAL OTHER FINANCING SOURCES (USES)	15,000	56,200	6,281	-	-	(31,406)	500	46,575
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	9,803	19,780	136,408	68,716	391	-	230	235,328
FUND BALANCE, January 1	-	5,869	116,190	316,122	281,340	28,565	41,561	789,647
FUND BALANCE, December 31	\$ 9,803	\$ 25,649	\$ 252,598	\$ 384,838	\$ 281,731	\$ 28,565	\$ 41,791	\$ 1,024,975



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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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bolivar, Missouri, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Bolivar, Missouri's basic financial statements, and have issued our report thereon, dated August 7, 2013.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. It is identified as item 12-1.

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*.

City of Bolivar, Missouri's Response to the Finding and Other Matters

The City's response to the findings identified in our audit, described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain other matters that we have reported to management of the City in a separate letter dated August 7, 2013.

Purpose of This Report

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

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
August 7, 2013



DAVIS, LYNN &
MOOTS, P.C.
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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the City of Bolivar, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended December 31, 2012. The City of Bolivar, Missouri's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on the Major Federal Program

In our opinion, the City of Bolivar, Missouri complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Internal Control over Compliance

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

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

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

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

This report is intended solely for the information and use of the Board of Aldermen, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn; Moots, PC

DAVIS, LYNN & MOOTS, P.C.
August 7, 2013

CITY OF BOLIVAR, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended December 31, 2012

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
State Emergency Management Agency			
Emergency Management Performance Grant	97.042	EMW-2012-EP-00018-S01	\$ 15,095
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	EMW-2010-FF-00422 EMW-2011-FH-00278	3,805 <u>4,856</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			23,756
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Missouri Department of Transportation			
Airport Improvement Program	20.106	09-088A-1	554,752
Highway Planning and Construction	20.205	STP-9900(872)	112,397
University of Central Missouri			
DWI Enforcement	20.607	12-154-AL-083	2,191
Highway Safety Cluster			
State and Community Highway Safety	20.600	12-PT-02-001	3,000
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	12-154-AL-005 12-OP-05-002 13-154-AL-016 12-OP-05-005	3,460 281 499 <u>779</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			677,359
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Missouri Department of Public Safety			
Bulletproof Vest Partnership Program	16.607	N/A	1,251
Enforcing Underage Drinking Laws (EUDL) Grant	16.726	2009-10-EUDL-02	<u>14,418</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>15,669</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 716,784</u>

N/A - Not Applicable

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF BOLIVAR, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2012

A. SUMMARY OF AUDIT RESULTS

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

Airport Improvement Program	20.106
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8. The threshold to determine a Type A program was \$300,000.
9. The City of Bolivar, Missouri was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

12-1 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.

CITY OF BOLIVAR, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2012

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

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.

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

None

CITY OF BOLIVAR, MISSOURI
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2012

There were no prior year audit findings.