

CITY OF BOLIVAR, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2013

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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

3828 South Avenue • Springfield, Missouri 65807 • 417-882-0904 • fax 417-882-4343
500 West Main Street, Suite 200 • Branson, Missouri 65616 • 417-334-2987 • fax 417-336-3403

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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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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.

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

The Combining Non-Major Fund financial statements 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 June 13, 2014, 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.

KPM CPAs, PC

KPM CPAs, PC
June 13, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2013

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, 2013. 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 \$650,157 or 5% for the year as a result of current year activities. The net position of the City's business activities increased by \$479,905 or 6% for the year.
- The assets of the City exceeded its liabilities as of December 31, 2013, by \$24 million (net position). Of this amount \$1,540,682 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City increased by \$542,646 during the year primarily due to issuance of a wastewater improvements lease in the amount of \$1,804,084 and principal payments on debt.

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, 2013

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, 2013

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of December 31, 2013 and 2012:

	Governmental Activities	Business-Type Activities	Total December 31, 2013	Total December 31, 2012
Current and other assets	\$ 3,903,965	\$ 1,516,052	\$ 5,420,017	\$ 3,931,404
Capital assets	18,076,378	10,192,490	36,152,756	27,876,894
TOTAL ASSETS	21,980,343	11,708,542	33,688,885	31,808,298
Other liabilities	717,314	881,117	1,598,431	1,390,552
Long-term liabilities outstanding	6,175,815	1,923,814	8,099,629	7,556,983
TOTAL LIABILITIES	6,893,129	2,804,931	9,698,060	8,947,535
Net position:				
Net investment in capital assets	11,778,022	8,130,251	19,908,273	19,623,129
Restricted				
Non-expendable	385,228	-	385,228	383,960
Expendable	2,154,559	2,083	2,156,642	1,959,168
Unrestricted	769,405	771,277	1,540,682	894,506
TOTAL NET POSITION	\$ 15,087,214	\$ 8,903,611	\$ 23,990,825	\$ 22,860,763

Total net position of the City increased by \$1,130,062 for the year due to current year activities. Total liabilities for the City have increased by \$750,525. Restricted net position of the City totaled \$2,541,870 as of December 31, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2013

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2013	Total Year Ended December 31, 2012
REVENUES				
Program Revenues				
Charges for services	\$ 854,748	\$ 3,228,815	\$ 4,083,563	\$ 3,748,015
Operating grants and contributions	115,355	-	115,355	237,195
Capital grants and contributions	221,472	-	221,472	694,236
General Revenues				
Sales tax	4,298,310	-	4,298,310	4,165,509
Motor vehicle tax	374,072	-	374,072	370,070
Other taxes	28,804	-	28,804	29,450
Franchise fees	200,535	-	200,535	187,176
Interest	9,807	6,427	16,234	18,742
Other revenue	248,025	-	248,025	278,850
Transfers	895	(895)	-	-
TOTAL REVENUES AND TRANSFERS	6,352,023	3,234,347	9,586,370	9,729,243
EXPENSES				
Administrative	-	-	-	322,836
Public safety	1,724,091	-	1,724,091	1,585,552
Municipal Court	132,172	-	132,172	25,475
Community development	118,079	-	118,079	22,232
Animal pound	108,551	-	108,551	61,177
Recreation and parks	425,411	-	425,411	257,635
Rails to trails	154,347	-	154,347	128,926
Aquatic center	246,600	-	246,600	248,481
Golf course	263,769	-	263,769	169,809
Fire	526,575	-	526,575	375,905
Cemetery	68,284	-	68,284	106,210
Transportation	986,125	-	986,125	975,298
Airport	575,700	-	575,700	426,578
Economic development	16,437	-	16,437	5,197
Other	237	-	237	375
Debt service	355,488	-	355,488	310,125
Water and sewer	-	2,754,442	2,754,442	2,918,551
TOTAL EXPENSES	5,701,866	2,754,442	8,456,308	7,940,362
INCREASE IN NET POSITION	\$ 650,157	\$ 479,905	\$ 1,130,062	\$ 1,788,881

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2013**

Governmental Activities

Governmental activities increased the net position of the City by \$650,157. Tax revenues for the City were \$4,901,721, which represents 77% of the funding of these activities. Program revenues for the functions totaled \$1,191,575 or 19% 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**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Administrative	\$ -	\$ (41,707)
Public safety	1,724,091	1,572,879
Municipal court	132,172	132,172
Community development	118,079	81,280
Animal pound	108,551	102,723
Recreation and parks	425,411	360,365
Rails to trails	154,347	154,347
Aquatic center	246,600	143,129
Golf course	263,769	180,400
Fire	526,575	436,693
Cemetery	68,284	17,849
Transportation	986,125	830,197
Airport	575,700	167,802
Economic development	16,437	16,437
Other	237	237
Debt service	355,488	355,488
	<u>\$ 5,701,866</u>	<u>\$ 4,510,291</u>

Business-Type Activities

Business-type activities increased the City's net position by \$479,905. This is up from the increase received last year from the City's business-type activities. The increase incurred in the prior year was \$109,277.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2013, were \$3.5 million. The General Fund increased by \$81,653. The Street Fund increased by \$342,755. The ½ Cent Capital Improvement Fund increased by \$239,422. The Recreation Facility Fund increased by \$81,400.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2013**

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 \$2,429,150 was decreased to \$2,428,650 during the year.
- The original expenditures budget of \$2,072,425 was not amended during the year.
- Budgeted revenues were \$138,314 above actual, and budgeted expenditures were \$13,340 above actual.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$18,076,378 (net of accumulated depreciation) as of December 31, 2013. This represents a \$311,640 decrease from the prior year. Capital assets for business-type activities were \$10,192,490 as of December 31, 2013. This represents an increase of \$703,614 from the prior year.

Debt

Total debt of the governmental activities as of December 31, 2013, was \$6,439,362, which is down \$311,322 from the prior year.

Total debt of the business-type activities as of December 31, 2013, was \$2,542,339, which is up \$898,316 from the prior year.

Economic Factors and Next Year's Budget

2013 found the City much more capable of addressing the needs of the community after having dealt with the financial issues with which we were faced the previous year. Although the economy itself has not yet fully rebounded to where it was in pre-recessionary days, there has been a modest comeback, with City revenues being up year over year. The State Audit of the City took a significant amount of time and attention of the City staff to respond to all of the issues raised, and the total cost of the Audit was nearly \$60,000. In addition, the City Aquatics Center saw the end of its first year of operation, and prompted the City to alter the manner in which it is to open and be operated in future years in order to achieve needed cost cutting. Furthermore, the remediation of the black mold that was discovered in City Hall was an extensive and expensive project that the City had not anticipated. However, each of these problems have been met head-on by the Board of Aldermen and the Staff, and the City is in by far better financial status than it was at the end of the previous year. The City received an upgrade of creditworthiness from Standard and Poors to an A- rating, in part because of this approach to the City's finances.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOLIVAR, MISSOURI
December 31, 2013

The City is anticipating a relatively flat (perhaps 1.5-2%) change in revenues for 2014, however, through continued management of the City resources, and containment of costs wherever possible, the City anticipates reaching a milestone of financial health in 2014. The need for the General Revenue Fund to have a balance of 25% of the operational costs of the City should be met in this fiscal year, which will allow for the monies that have been set aside in previous attempts to meet that financial goal will then be freed to meet other objectives in the future.

Contacting the City's Financial Management

For additional information or questions, please contact:

City of Bolivar
1506 W. Broadway St.
Bolivar, MO 65613
(417) 326-2489
clerk@bolivar.mo.us

Darin Chappell, City Administrator
Natalie Scrivner, City Clerk

CITY OF BOLIVAR, MISSOURI
STATEMENT OF NET POSITION
December 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority
ASSETS				
Current				
Cash and cash equivalents	\$ 2,405,892	\$ 406,223	\$ 2,812,115	\$ 114,445
Investments	425,344	148,447	573,791	
Taxes receivable	729,825	-	729,825	-
Court fines receivable, net	38,933	-	38,933	-
Intergovernmental receivable	67,403	-	67,403	-
Utilities receivable, net	-	338,271	338,271	-
Other accounts receivable	47,498	-	47,498	-
Prepaid expenses	84,890	39,770	124,660	-
Noncurrent				
Restricted cash and cash equivalents	12,307	581,945	594,252	-
Restricted investments	91,873	1,396	93,269	-
Capital Assets:				
Non-depreciable	712,020	132,231	844,251	554,725
Depreciable, net	17,364,358	10,060,259	27,424,617	-
TOTAL ASSETS	21,980,343	11,708,542	33,688,885	669,170
LIABILITIES				
Current				
Accounts payable	289,420	102,373	391,793	-
Accrued expenses	98,480	43,289	141,769	-
Customer deposits payable	-	110,500	110,500	-
Court bonds payable	12,304	-	12,304	-
Accrued interest payable	53,563	6,430	59,993	-
Current portion of long-term debt	263,547	618,525	882,072	-
	717,314	881,117	1,598,431	-
Noncurrent				
Capital leases payable	218,063	1,912,972	2,131,035	-
Certificates of participation payable	5,816,746	-	5,816,746	-
Post employment pension liability	125,228	-	125,228	-
Compensated absences	15,778	10,842	26,620	-
	6,175,815	1,923,814	8,099,629	-
TOTAL LIABILITIES	6,893,129	2,804,931	9,698,060	-
NET POSITION				
Net investment in capital assets	11,778,022	8,130,251	19,908,273	554,725
Restricted				
Non-expendable	385,228	-	385,228	-
Expendable	2,154,559	2,083	2,156,642	-
Unrestricted	769,405	771,277	1,540,682	114,445
TOTAL NET POSITION	\$ 15,087,214	\$ 8,903,611	\$ 23,990,825	\$ 669,170

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

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	\$ -	\$ 41,707	\$ -	\$ -	\$ 41,707	\$ -	\$ 41,707	\$ -
Public safety	(1,724,091)	123,523	18,106	9,583	(1,572,879)	-	(1,572,879)	-
Municipal court	(132,172)	-	-	-	(132,172)	-	(132,172)	-
Community development	(118,079)	36,799	-	-	(81,280)	-	(81,280)	-
Animal pound	(108,551)	5,041	787	-	(102,723)	-	(102,723)	-
Recreation and parks	(425,411)	3,590	5,295	56,161	(360,365)	-	(360,365)	-
Rails to trails	(154,347)	-	-	-	(154,347)	-	(154,347)	-
Aquatic center	(246,600)	103,471	-	-	(143,129)	-	(143,129)	-
Golf course	(263,769)	83,369	-	-	(180,400)	-	(180,400)	-
Fire	(526,575)	-	89,882	-	(436,693)	-	(436,693)	-
Cemetery	(68,284)	49,150	1,285	-	(17,849)	-	(17,849)	-
Transportation	(986,125)	200	-	155,728	(830,197)	-	(830,197)	-
Airport	(575,700)	407,898	-	-	(167,802)	-	(167,802)	-
Economic development	(16,437)	-	-	-	(16,437)	-	(16,437)	-
Other	(237)	-	-	-	(237)	-	(237)	-
Debt service	(355,488)	-	-	-	(355,488)	-	(355,488)	-
TOTAL GOVERNMENTAL ACTIVITIES	(5,701,866)	854,748	115,355	221,472	(4,510,291)	-	(4,510,291)	-
Business-Type Activities								
Water and Sewer	(2,754,442)	3,228,815	-	-	-	474,373	474,373	-
TOTAL BUSINESS-TYPE ACTIVITIES	(2,754,442)	3,228,815	-	-	-	474,373	474,373	-
TOTAL PRIMARY GOVERNMENT	\$ (8,456,308)	\$ 4,083,563	\$ 115,355	\$ 221,472	(4,510,291)	474,373	(4,035,918)	-
Component Unit								
Industrial Development Authority	\$ (2,250)	\$ -	\$ -	\$ -	-	-	-	(2,250)
General Revenues:								
					4,298,310	-	4,298,310	-
					374,072	-	374,072	-
					28,804	-	28,804	-
					200,535	-	200,535	-
					9,807	6,427	16,234	244
					248,025	-	248,025	-
					895	(895)	-	-
					5,160,448	5,532	5,165,980	244
					Changes in Net Position			(2,006)
					14,437,057	8,423,706	22,860,763	671,176
					\$ 15,087,214	\$ 8,903,611	\$ 23,990,825	\$ 669,170

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2013

	Special Revenue Funds					
	General Fund	Street Fund	1/2 Cent Capital Improvement Fund	Recreation Facility Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents - unrestricted	\$ 421,945	\$ 483,451	\$ 851,958	\$ 1,050	\$ 647,488	\$ 2,405,892
Investments - unrestricted	40,786	111,634	-	-	272,924	425,344
Taxes receivable	296,126	126,084	148,062	70,034	89,519	729,825
Court fines receivable, net	38,933	-	-	-	-	38,933
Intergovernmental receivable	1,789	-	-	65,614	-	67,403
Other accounts receivable	9,319	173	-	5,784	32,222	47,498
Prepaid expenses	44,872	9,244	-	17,649	13,125	84,890
Due from other funds	-	397,869	-	-	-	397,869
Restricted cash and cash equivalents	12,304	-	-	3	-	12,307
Restricted investments	-	-	-	-	91,873	91,873
TOTAL ASSETS	\$ 866,074	\$ 1,128,455	\$ 1,000,020	\$ 160,134	\$ 1,147,151	\$ 4,301,834
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 190,224	\$ 15,529	\$ -	\$ 18,544	\$ 65,123	\$ 289,420
Accrued expenses	78,147	9,146	-	6,476	4,711	98,480
Due to other funds	-	-	-	310,048	87,821	397,869
Court bonds payable	12,304	-	-	-	-	12,304
TOTAL LIABILITIES	280,675	24,675	-	335,068	157,655	798,073
Deferred Inflows of Resources						
Deferred court fines	24,611	-	-	-	-	24,611
TOTAL DEFERRED INFLOWS OF RESOURCES	24,611	-	-	-	-	24,611

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
December 31, 2013

	Special Revenue Funds					Total Governmental Funds
	General Fund	Street Fund	1/2 Cent Capital Improvement Fund	Recreation Facility Fund	Nonmajor Governmental Funds	
Fund Balances (Deficit)						
Nonspendable:						
Prepaid items	44,872	9,244	-	17,649	13,125	84,890
Cemetery perpetual care	-	-	-	-	31,873	31,873
Permanent	-	-	-	-	353,355	353,355
Restricted for:						
Debt service	-	-	-	3	-	3
Transportation	-	1,094,536	-	-	-	1,094,536
Capital improvements	-	-	1,000,020	-	-	1,000,020
Cemetery	-	-	-	-	60,000	60,000
Assigned to:						
Airport	-	-	-	-	41,303	41,303
Economic development	-	-	-	-	5,005	5,005
Fire	-	-	-	-	280,748	280,748
Special road district	-	-	-	-	253,363	253,363
Unassigned	515,916	-	-	(192,586)	(49,276)	274,054
TOTAL FUND BALANCES (DEFICIT)	<u>560,788</u>	<u>1,103,780</u>	<u>1,000,020</u>	<u>(174,934)</u>	<u>989,496</u>	<u>3,479,150</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 866,074</u>	<u>\$ 1,128,455</u>	<u>\$ 1,000,020</u>	<u>\$ 160,134</u>	<u>\$ 1,147,151</u>	<u>\$ 4,301,834</u>

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET POSITION
 December 31, 2013

Fund balance - total governmental funds	\$ 3,479,150
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	25,526,692
Less accumulated depreciation	<u>(7,450,314)</u>
	18,076,378
Adjustment of deferred court fines	24,611
Interest on long-term debt is not accrued in governmental funds, but rather recognized as an expenditure when due	(53,563)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(6,439,362)</u>
Net position of governmental activities	<u><u>\$ 15,087,214</u></u>

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
 Year Ended December 31, 2013

	Special Revenue Funds					Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Street Fund	1/2 Cent Capital Improvement Fund	Recreation Facility Fund			
REVENUES							
Taxes	\$ 1,986,938	\$ 1,122,142	\$ 878,517	\$ 415,394	\$ 498,729	\$ 4,901,720	
Licenses and permits	69,745	-	-	-	-	69,745	
Charges for services	-	200	-	190,430	444,548	635,178	
Intergovernmental revenues	27,639	155,728	-	56,161	85,386	324,914	
Fines and forfeitures	117,776	-	-	-	-	117,776	
Interest	7,861	251	-	-	1,695	9,807	
Other	80,377	81,379	-	42,654	87,578	291,988	
TOTAL REVENUES	2,290,336	1,359,700	878,517	704,639	1,117,936	6,351,128	
EXPENDITURES							
Current							
Public safety	1,695,285	-	-	-	-	1,695,285	
Municipal court	133,982	-	-	-	-	133,982	
Community development	120,240	-	-	-	-	120,240	
Animal pound	109,578	-	-	-	-	109,578	
Recreation and parks	-	-	-	302,541	-	302,541	
Rails to trails	-	-	-	160,329	-	160,329	
Aquatic center	-	-	-	249,595	-	249,595	
Golf course	-	-	-	250,157	-	250,157	
Fire	-	-	-	-	521,437	521,437	
Cemetery	-	-	-	-	63,339	63,339	
Transportation	-	850,087	-	-	131,475	981,562	
Airport	-	-	-	-	429,456	429,456	
Economic development	-	-	-	-	16,592	16,592	
Other	-	-	-	-	237	237	
Debt Service							
Principal and interest	-	166,858	-	403,697	96,879	667,434	
TOTAL EXPENDITURES	2,059,085	1,016,945	-	1,366,319	1,259,415	5,701,764	
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	231,251	342,755	878,517	(661,680)	(141,479)	649,364	
OTHER FINANCING SOURCES (USES)							
Operating transfer in (out)	(149,598)	-	(639,095)	743,080	46,508	895	
TOTAL OTHER FINANCING SOURCES (USES)	(149,598)	-	(639,095)	743,080	46,508	895	
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	81,653	342,755	239,422	81,400	(94,971)	650,259	
FUND BALANCE (DEFICIT), January 1	479,135	761,025	760,598	(256,334)	1,084,467	2,828,891	
FUND BALANCE (DEFICIT), December 31	\$ 560,788	\$ 1,103,780	\$ 1,000,020	\$ (174,934)	\$ 989,496	\$ 3,479,150	

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, 2013

Net change in fund balances - total governmental funds \$ 650,259

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

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

Capital outlay	350,845
Depreciation	(662,485)
	<u>(311,640)</u>

The issuance of long-term debt provides current financial resources to governmental
 funds. The repayment of the principal of long-term debt is a use of current
 financial resources of governmental funds. In the Statement of Activities,
 interest is accrued on outstanding debt whereas, in the governmental funds,
 an interest expenditure is reported when due. The following is the detail of
 the net effect of these differences.

Discount on certificates of participation	(11,602)
Accrued interest payable	216
Repayment of principal on leases	331,916
	<u>320,530</u>

Some expenditures reported in the governmental funds represent the use of current
 financial resources and were recognized in the Statement of Activities when incurred.

	<u>(8,992)</u>
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Change in net position of governmental activities	<u><u>\$ 650,157</u></u>
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See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUND
December 31, 2013

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 406,223
Investments	148,447
Utilities receivable, net	338,271
Prepaid expenses	<u>39,770</u>
TOTAL CURRENT ASSETS	932,711
Restricted Assets	
Cash and cash equivalents	581,945
Investments	<u>1,396</u>
TOTAL RESTRICTED ASSETS	583,341
Property, Plant and Equipment	18,991,625
Less Accumulated Depreciation	<u>(8,799,135)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>10,192,490</u>
TOTAL ASSETS	11,708,542
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	102,373
Accrued expenses	43,289
Customer deposits	110,500
Accrued interest payable	6,430
Current portion of long-term debt	<u>618,525</u>
TOTAL CURRENT LIABILITIES	881,117
Long-Term Liabilities	
Capital leases payable	1,912,972
Compensated absences payable	<u>10,842</u>
TOTAL LONG-TERM LIABILITIES	<u>1,923,814</u>
TOTAL LIABILITIES	<u>2,804,931</u>
Net Position	
Net investment in capital assets	8,130,251
Restricted	2,083
Unrestricted	<u>771,277</u>
TOTAL NET POSITION	<u>\$ 8,903,611</u>

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ENTERPRISE FUND
Year Ended December 31, 2013

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 3,136,586
Other charges	92,229
	<u>3,228,815</u>
TOTAL OPERATING REVENUES	3,228,815
OPERATING EXPENSES	
Salaries and wages	756,136
Employee Benefits	165,445
Materials and supplies	244,120
Utilities	663,759
Insurance	79,462
Repairs and maintenance	145,001
Travel and conferences	7,826
Depreciation	588,203
Miscellaneous	16,838
	<u>2,666,790</u>
TOTAL OPERATING EXPENSES	2,666,790
OPERATING INCOME	562,025
NONOPERATING REVENUES (EXPENSES)	
Interest income	6,427
Interest expense	(87,652)
	<u>(81,225)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	(81,225)
INCOME BEFORE OPERATING TRANSFERS	480,800
OPERATING TRANSFERS (OUT)	<u>(895)</u>
NET INCOME	479,905
NET POSITION, January 1	<u>8,423,706</u>
NET POSITION, December 31	<u><u>\$ 8,903,611</u></u>

See accompanying notes.

CITY OF BOLIVAR, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
Year Ended December 31, 2013

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,115,161
Cash paid to employees	(906,159)
Cash paid to suppliers	<u>(1,118,043)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,090,959</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) other funds	<u>(895)</u>
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(895)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,291,817)
Proceeds of capital leases	1,804,084
Payment of principal on revenue bonds	(190,000)
Payment of principal on capital leases	(671,016)
Payment of principal on note	(46,666)
Payment of interest expense	<u>(85,423)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(480,838)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	6,427
Maturity of investments	<u>50,213</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>56,640</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	665,866
CASH AND CASH EQUIVALENTS, Beginning of year	<u>322,302</u>
CASH AND CASH EQUIVALENTS, End of year	988,168
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>(581,945)</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 406,223</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 562,025
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	588,203
(Increase) decrease in:	
Utilities receivable	(107,873)
Prepaid expenses	(4,076)
Increase (decrease) in:	
Accounts payable	43,039
Accrued expenses	13,508
Compensated absences	1,914
Customer deposits payable	<u>(5,781)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,090,959</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.

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 capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital 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.

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 restricted or net investment in capital assets.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

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

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

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

Committed fund balance – 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.

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, 2013, all bank balances on deposit are entirely insured or collateralized.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE C – INVESTMENTS

The City’s investments as of December 31, 2013, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Series EE Treasury bonds	12/1/2032	\$ 9,366
Certificates of Deposit	4/10/2014 - 7/10/2014	656,298
Guaranteed Investment Contracts	6/30/2023	<u>1,396</u>
		<u>\$ 667,060</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, 2013, 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, 2013

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/ Fund Balance</u>
GENERAL FUND		
Court bonds	\$ 12,304	\$ -
STREET FUND		
Transportation taxes	\$ -	\$ 1,094,536
1/2 CENT CAPITAL IMPROVEMENT FUND		
Capital improvement taxes	\$ -	\$ 1,000,020
RECREATION FACILITY FUND		
2010 A&B Certificates of Participation		
Principal and interest	\$ 3	\$ 3
NON-MAJOR GOVERNMENTAL FUNDS		
Cemetery perpetual care	\$ 31,873	\$ 31,873
Cemetery donations	60,000	60,000
Corbett donation	-	282,981
Bolivar Charitable Trust	-	28,565
Plaza of the Americas	-	41,809
	<u>\$ 91,873</u>	<u>\$ 445,228</u>

Business-Type Activities

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, 2013

NOTE D – RESTRICTED ASSETS (continued)

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
2002 Revenue Bonds		
Principal and interest	\$ 2,083	\$ 2,083
Wastewater Improvements Lease Proceeds	469,258	-
Utility Deposits	110,500	-
Performance Bonds	1,500	-
	<u>\$ 583,341</u>	<u>\$ 2,083</u>

NOTE E – ACCOUNTS RECEIVABLE

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

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
UTILITIES RECEIVABLE			
Water and Sewer Fund	<u>\$ 339,591</u>	<u>\$ 1,320</u>	<u>\$ 338,271</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 129,938</u>	<u>\$ 91,005</u>	<u>\$ 38,933</u>

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

The business-type activities long-term debt at December 31, 2013, consists of three capital lease obligations and compensated absences.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

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

Capital Lease Agreement – Water Tower

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

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

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
2014	\$ 116,005
2015	116,005
2016	116,005
2017	116,005
2018	116,005
2019	95,911
TOTAL MINIMUM LEASE PAYMENTS	675,936
LESS AMOUNT REPRESENTING INTEREST	(114,302)
PRINCIPAL BALANCE, DECEMBER 31, 2013	<u>\$ 561,634</u>

Capital Lease Agreement – Public Works Building

On April 30, 2009, the City entered into a lease purchase agreement to finance the purchase of a building. The lease is split between the street, water, sewer and utilities departments. Three-fourths of the lease activity is included in the business-type activities and one-fourth of the lease activity is included in the governmental activities. The agreement requires monthly payments of \$2,848 including interest at 4.39%, with a final principal payment of \$276,238 in May 2014.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

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 future lease payments under the lease (assuming noncancellation):

Year Ended December 31,	Principal	Interest	Total
2014	\$ 285,324	\$ 5,141	\$ 290,465

Capital Lease Agreement

On April 30, 2013, the City entered into a cancelable lease agreement with Clayton Holdings, LLC (Commerce Bank) in the amount of \$1,804,084 to pay off an existing lease for wastewater treatment plant improvements in the amount of \$386,493 and to finance new wastewater treatment plant improvements. The agreement requires semi-annual payments of \$140,202 including interest at 2.29%.

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
2014	\$ 243,213	\$ 37,191	\$ 280,404
2015	248,814	31,590	280,404
2016	254,545	25,859	280,404
2017	260,407	19,997	280,404
2018	266,405	13,999	280,404
2019	272,540	7,864	280,404
2020	138,615	1,587	140,202
	<u>\$ 1,684,539</u>	<u>\$ 138,087</u>	<u>\$ 1,822,626</u>

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

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

A summary of the changes in long-term debt – business-type activities for the year ended December 31, 2013, is as follows:

	Balance December 31, 2012	Additions	Retirements	Balance December 31, 2013
Revenue Bonds Payable	\$ 190,000	\$ -	\$ 190,000	\$ -
Capital Leases Payable	1,398,429	1,804,084	671,016	2,531,497
Note Payable	46,666	-	46,666	-
Compensated Absences Payable	8,928	1,914	-	10,842
	<u>\$ 1,644,023</u>	<u>\$ 1,805,998</u>	<u>\$ 907,682</u>	<u>\$ 2,542,339</u>

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at December 31, 2013, consists of four capital lease obligations, Series 2010A and 2010B Certificates of Participation, compensated absences, and post-employment pension obligation.

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 2.36%.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

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

Capital Lease Agreement – Public Works Building

On April 30, 2009, the City entered into a lease purchase agreement to finance the purchase of a building. The lease is split between the street, water, sewer and utilities departments. One-fourth of the lease activity is included in the governmental activities and three-fourths of the lease activity is included in the business-type activities. The agreement requires monthly payments of \$949 including interest at 4.39% with a final principal payment of \$92,080 in May 2014.

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%.

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,	2004 STAR Airport Loan	Airport Land Lease	Public Works Building Lease	Technology Equipment Lease	Total
2014	\$ 21,332	\$ 53,677	\$ 96,826	\$ 29,952	\$ 201,787
2015	-	53,677	-	29,952	83,629
2016	-	53,677	-	29,952	83,629
2017	-	40,257	-	29,952	70,209
TOTAL MINIMUM LEASE PAYMENTS	21,332	201,288	96,826	119,808	439,254
LESS AMOUNT REPRESENTING INTEREST	(2,191)	(8,831)	(1,718)	(19,904)	(32,644)
PRINCIPAL BALANCE, DECEMBER 31, 2013	<u>\$ 19,141</u>	<u>\$ 192,457</u>	<u>\$ 95,108</u>	<u>\$ 99,904</u>	<u>\$ 406,610</u>

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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

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, 2013, are due as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Total</u>
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>\$ 6,205,000</u>	<u>\$ 9,080,020</u>	<u>\$ (3,012,105)</u>	<u>\$ 12,272,915</u>

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

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, 2013, is as follows:

	Balance December 31, 2012	Additions	Retirements	Balance December 31, 2013
Capital Leases Payable	\$ 668,526	\$ -	\$ 261,916	\$ 406,610
Certificates of Participation	6,275,000	-	70,000	6,205,000
Less: Discount on Certificates of Participation	(324,856)	-	(11,602)	(313,254)
	<u>5,950,144</u>	<u>-</u>	<u>58,398</u>	<u>5,891,746</u>
Compensated Absences Payable	16,911	-	1,133	15,778
Post Employment Pension Liability	115,103	10,125	-	125,228
	<u>\$ 6,750,684</u>	<u>\$ 10,125</u>	<u>\$ 321,447</u>	<u>\$ 6,439,362</u>

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

Primary Government

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013
GOVERNMENTAL ACTIVITIES				
Non-depreciable Capital Assets:				
Land	\$ 712,020	\$ -	\$ -	\$ 712,020
Total Non-depreciable Capital Assets	712,020	<u>\$ -</u>	<u>\$ -</u>	712,020

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE H – CAPITAL ASSETS (continued)

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013
Depreciable Capital Assets:				
Buildings and land improvements	9,921,359	\$ 113,877	\$ -	10,035,236
Equipment and furniture	4,682,972	100,732	45,634	4,738,070
Infrastructure	9,859,496	181,870	-	10,041,366
Total Depreciable Capital Assets	24,463,827	\$ 396,479	\$ 45,634	24,814,672
Less Accumulated Depreciation	(6,787,829)	\$ (692,357)	\$ (29,872)	(7,450,314)
Total Depreciable Capital Assets, net	17,675,998			17,364,358
Total Governmental Activities Capital Assets, net	\$ 18,388,018			\$ 18,076,378

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

Fire	\$ 54,712
Public safety	60,712
Recreation and parks	158,755
Rails to trails	16,951
Golf course	15,956
Transportation	228,685
Airport	151,048
Cemetery	5,538
	<u>\$ 692,357</u>

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE H – CAPITAL ASSETS (continued)

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013
BUSINESS-TYPE ACTIVITIES				
Non-depreciable Capital Assets:				
Land	\$ 132,231	\$ -	\$ -	\$ 132,231
Construction in progress	71,347	1,122,979	1,194,326	-
Total Non-depreciable Capital Assets	203,578	<u>\$ 1,122,979</u>	<u>\$ 1,194,326</u>	132,231
Depreciable Capital Assets:				
Equipment and furniture	1,856,957	\$ 168,838	\$ -	2,025,795
Water and sewer system	15,056,280	1,194,326	-	16,250,606
Buildings and improvements	582,993	-	-	582,993
Total Depreciable Capital Assets	17,496,230	<u>\$ 1,363,164</u>	<u>\$ -</u>	18,859,394
Less Accumulated Depreciation	(8,210,932)	<u>\$ (588,203)</u>	<u>\$ -</u>	(8,799,135)
Total Depreciable Capital Assets, net	9,285,298			10,060,259
Total Business-Type Activities Capital Assets, net	<u>\$ 9,488,876</u>			<u>\$ 10,192,490</u>

Industrial Development Authority

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013
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, 2013

NOTE I – ASSESSED VALUATION AND LEGAL DEBT MARGIN

The assessed valuation of the tangible property is as follows:

	<u>2013</u>
Assessed Valuation	
Real estate	\$ 79,656,174
Personal property	<u>14,721,842</u>
TOTAL	<u>\$ 94,378,016</u>

The legal debt margin at December 31, 2013, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 9,437,802	\$ 9,437,802	\$ 18,875,604
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 9,437,802</u>	<u>\$ 9,437,802</u>	<u>\$ 18,875,604</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 401(a) and it is tax exempt.

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

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 6.9% (General), 4.7% (Police), and 11.0% (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	\$ 114,254
Interest on net pension obligation	8,345
Adjustment to annual required contribution	(8,503)
Annual pension cost	<u>114,096</u>
Actual contributions	<u>103,971</u>
Increase in NPO	10,125
NPO beginning of year	<u>115,103</u>
NPO end of year	<u><u>\$ 125,228</u></u>

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE J – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2011, and/or February 29, 2012, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2011, was 30 years for the General division, 30 years for the Police division, and 3 years for the Fire division. The amortization period as of February 29, 2012, was 21 years for the General division, 15 years for the Police division, and 2 years for the Fire division

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 151,007	65.8%	\$ 88,292
2012	136,446	80.4%	115,103
2013	114,096	91.1%	125,228

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

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
02/28/13	\$ 2,176,496	\$ 2,448,901	\$ 272,405	89%	\$ 1,594,425	17%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The information contained in the multi-year trend information was derived based on the actuarial methods and assumptions noted above.

CITY OF BOLIVAR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

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, 2013, 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, 2013, were as follows:

	Transfers In (Out)
General Fund	\$ (149,598)
1/2 Cent Capital Improvement Fund	(639,095)
Recreation Facility Fund	743,080
Non-major Funds	46,508
Water and Sewer Fund	(895)
	<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, 2013

NOTE N – SUBSEQUENT EVENT

On January 30, 2014, the City entered into a lease-purchase agreement with Clayton Holdings, LLC, in the amount of \$500,000 with interest at 2.46% to finance the purchase of land and a building.

On April 10, 2014, the City entered into a lease-purchase agreement with Clayton Holdings, LLC, in the amount of \$371,165 with interest at 2.509% to refinance an existing lease on the public works building which had an interest rate of 4.39%.

NOTE O – DEFERRED COURT FINES

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 court fines are to be collected over several years. All of the deferred court fines at December 31, 2013, are accounted for as follows:

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

NOTE P– INTERNAL BALANCES

Internal balances as of December 31, 2013, consisted of the following:

	Greenwood Cemetery Fund	Recreation Facility Fund	Street Fund
Internal balances	<u>\$ (87,821)</u>	<u>\$ (310,048)</u>	<u>\$ 397,869</u>

During the course of its operations, the City has numerous transactions between funds to finance operations, 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, 2013, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

CITY OF BOLIVAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE Q – DEFICIT FUND BALANCE

As of December 31, 2013, the City had a deficit fund balance of \$174,934 in the Recreation Facility Fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BOLIVAR, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended December 31, 2013

Missouri Local Government Employees Retirement System (LAGERS)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2011	\$ 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%
2/28/2013	2,176,496	2,448,901	272,405	89%	1,594,425	17%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 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, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales tax	\$ 1,692,000	\$ 1,692,000	\$ 1,757,599	\$ 65,599
Utility franchise tax	212,500	212,500	200,535	(11,965)
Surtax	32,500	32,500	28,804	(3,696)
	<u>1,937,000</u>	<u>1,937,000</u>	<u>1,986,938</u>	<u>49,938</u>
Licenses and Permits				
Merchant licenses	20,000	20,000	20,545	545
Building permits	3,000	3,000	1,443	(1,557)
Solicitor permits	7,000	7,000	6,855	(145)
Trash permits	-	-	15	15
Inspection fees	33,000	33,000	34,165	1,165
Zoning fees	3,000	3,000	1,191	(1,809)
Animal license and fees	9,000	8,500	5,531	(2,969)
	<u>75,000</u>	<u>74,500</u>	<u>69,745</u>	<u>(4,755)</u>
Intergovernmental Revenues				
Law enforcement grants	31,850	31,850	27,639	(4,211)
Emergency management grants	20,000	20,000	-	(20,000)
	<u>51,850</u>	<u>51,850</u>	<u>27,639</u>	<u>(24,211)</u>
Fines and Forfeitures				
City court fines	185,000	185,000	114,735	(70,265)
Miscellaneous fines and forfeitures	3,700	3,700	3,041	(659)
	<u>188,700</u>	<u>188,700</u>	<u>117,776</u>	<u>(70,924)</u>
Miscellaneous				
Interest	5,000	5,000	7,861	2,861
Other	171,600	171,600	80,377	(91,223)
	<u>176,600</u>	<u>176,600</u>	<u>88,238</u>	<u>(88,362)</u>
TOTAL REVENUES	<u>2,429,150</u>	<u>2,428,650</u>	<u>2,290,336</u>	<u>(138,314)</u>

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	67,850	67,850	-	67,850
Public safety	1,731,000	1,731,000	1,695,285	35,715
Municipal court	178,750	178,750	133,982	44,768
Community development	-	-	120,240	(120,240)
Animal pound	94,825	94,825	109,578	(14,753)
TOTAL EXPENDITURES	<u>2,072,425</u>	<u>2,072,425</u>	<u>2,059,085</u>	<u>13,340</u>
EXCESS OF REVENUES OVER EXPENDITURES	356,725	356,225	231,251	(124,974)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	223,250	223,250	154,665	(68,585)
Operating transfers (out)	-	(261,450)	(304,263)	(42,813)
TOTAL OTHER FINANCING SOURCES (USES)	<u>223,250</u>	<u>(38,200)</u>	<u>(149,598)</u>	<u>(111,398)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	579,975	318,025	81,653	(236,372)
FUND BALANCE, January 1	479,135	479,135	479,135	-
FUND BALANCE, December 31	<u>\$ 1,059,110</u>	<u>\$ 797,160</u>	<u>\$ 560,788</u>	<u>\$ (236,372)</u>

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales tax	\$ 720,000	\$ 720,000	\$ 748,070	\$ 28,070
Motor vehicle tax	357,000	357,000	374,072	17,072
	<u>1,077,000</u>	<u>1,077,000</u>	1,122,142	45,142
Permits and fees				
Storm water drain fees	1,000	1,000	200	(800)
Intergovernmental revenues	-	-	155,728	155,728
Miscellaneous				
Interest	800	800	251	(549)
Other	6,500	6,500	81,379	74,879
	<u>7,300</u>	<u>7,300</u>	<u>81,630</u>	<u>74,330</u>
TOTAL REVENUES	<u>1,085,300</u>	<u>1,085,300</u>	<u>1,359,700</u>	<u>274,400</u>
EXPENDITURES				
Current				
Transportation	870,850	870,850	850,087	20,763
Debt service				
Principal and interest	170,750	170,750	166,858	3,892
TOTAL EXPENDITURES	<u>1,041,600</u>	<u>1,041,600</u>	<u>1,016,945</u>	<u>24,655</u>
EXCESS OF REVENUES OVER EXPENDITURES	43,700	43,700	342,755	299,055
OTHER FINANCING SOURCES				
Operating transfers in	80,000	80,000	-	(80,000)
TOTAL OTHER FINANCING SOURCES	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>(80,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	123,700	123,700	342,755	219,055
FUND BALANCE, January 1	761,025	761,025	761,025	-
FUND BALANCE, December 31	<u>\$ 884,725</u>	<u>\$ 884,725</u>	<u>\$ 1,103,780</u>	<u>\$ 219,055</u>

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – ½ CENT CAPITAL IMPROVEMENT FUND
 Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales tax	\$ 865,000	\$ 865,000	\$ 878,517	\$ 13,517
TOTAL REVENUES	865,000	865,000	878,517	13,517
EXPENDITURES				
Capital improvement	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	865,000	865,000	878,517	13,517
OTHER FINANCING (USES)				
Operating transfers (out)	(1,018,750)	(639,095)	(639,095)	-
TOTAL OTHER FINANCING (USES)	(1,018,750)	(639,095)	(639,095)	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(153,750)	225,905	239,422	13,517
FUND BALANCE, January 1	760,598	760,598	760,598	-
FUND BALANCE, December 31	\$ 606,848	\$ 986,503	\$ 1,000,020	\$ 13,517

CITY OF BOLIVAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – RECREATION FACILITY FUND
 Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales tax	\$ 405,000	\$ 405,000	\$ 415,394	\$ 10,394
Charges for services	221,500	221,500	190,430	(31,070)
Intergovernmental revenue	-	-	56,161	56,161
Other	186,000	186,000	42,654	(143,346)
TOTAL REVENUES	<u>812,500</u>	<u>812,500</u>	<u>704,639</u>	<u>(107,861)</u>
EXPENDITURES				
Current				
Recreation and parks	232,200	232,200	302,541	(70,341)
Rails to trails	134,700	134,700	160,329	(25,629)
Aquatic center	259,000	259,000	249,595	9,405
Golf course	176,725	176,725	250,157	(73,432)
Debt Service				
Principal and interest	454,056	454,056	403,697	50,359
TOTAL EXPENDITURES	<u>1,256,681</u>	<u>1,256,681</u>	<u>1,366,319</u>	<u>(109,638)</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	(444,181)	(444,181)	(661,680)	(217,499)
OTHER FINANCING SOURCES				
Operating transfers in	446,500	736,613	743,080	6,467
TOTAL OTHER FINANCING SOURCES	<u>446,500</u>	<u>736,613</u>	<u>743,080</u>	<u>6,467</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES				
	2,319	292,432	81,400	(211,032)
FUND BALANCE (DEFICIT), January 1	<u>(256,334)</u>	<u>(256,334)</u>	<u>(256,334)</u>	<u>-</u>
FUND BALANCE (DEFICIT), December 31	<u><u>\$ (254,015)</u></u>	<u><u>\$ 36,098</u></u>	<u><u>\$ (174,934)</u></u>	<u><u>\$ (211,032)</u></u>

CITY OF BOLIVAR, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2013

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, 2013

	Special Revenue Funds					Permanent Funds			Total
	Airport Fund	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 cash equivalents - unrestricted	\$ 9	\$ 5,424	\$ 18,546	\$ 258,343	\$ 263,585	\$ 32,981	\$ 28,565	\$ 40,035	\$ 647,488
Investments - unrestricted	-	-	21,150	-	-	250,000	-	1,774	272,924
Taxes receivable	14,009	-	-	75,510	-	-	-	-	89,519
Other accounts receivable	31,815	-	407	-	-	-	-	-	32,222
Prepaid expenses	5,420	-	903	6,802	-	-	-	-	13,125
Restricted investments	-	-	91,873	-	-	-	-	-	91,873
TOTAL ASSETS	\$ 51,253	\$ 5,424	\$ 132,879	\$ 340,655	\$ 263,585	\$ 282,981	\$ 28,565	\$ 41,809	\$ 1,147,151
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 4,530	\$ 419	\$ 1,211	\$ 48,741	\$ 10,222	\$ -	\$ -	\$ -	\$ 65,123
Accrued expenses	-	-	347	4,364	-	-	-	-	4,711
Due to other funds	-	-	87,821	-	-	-	-	-	87,821
TOTAL LIABILITIES	4,530	419	89,379	53,105	10,222	-	-	-	157,655
Fund Balances									
Nonspendable:									
Prepaid items	5,420	-	903	6,802	-	-	-	-	13,125
Cemetery perpetual care	-	-	31,873	-	-	-	-	-	31,873
Permanent	-	-	-	-	-	282,981	28,565	41,809	353,355
Restricted for:									
Cemetery	-	-	60,000	-	-	-	-	-	60,000
Assigned to:									
Airport	41,303	-	-	-	-	-	-	-	41,303
Economic development	-	5,005	-	-	-	-	-	-	5,005
Fire	-	-	-	280,748	-	-	-	-	280,748
Special road district	-	-	-	-	253,363	-	-	-	253,363
Unassigned	-	-	(49,276)	-	-	-	-	-	(49,276)
TOTAL FUND BALANCES	46,723	5,005	43,500	287,550	253,363	282,981	28,565	41,809	989,496
TOTAL LIABILITIES AND FUND BALANCES	\$ 51,253	\$ 5,424	\$ 132,879	\$ 340,655	\$ 263,585	\$ 282,981	\$ 28,565	\$ 41,809	\$ 1,147,151

CITY OF BOLIVAR, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
 Year Ended December 31, 2013

	Special Revenue Funds					Permanent Funds			Total
	Airport Fund	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	\$ 83,119	\$ -	\$ -	\$ 415,610	\$ -	\$ -	\$ -	\$ -	\$ 498,729
Charges for services	407,898	-	36,650	-	-	-	-	-	444,548
Intergovernmental revenues	-	-	-	85,386	-	-	-	-	85,386
Interest	-	-	340	-	-	1,250	-	105	1,695
Other	5,626	-	44,200	5,417	-	-	32,335	-	87,578
TOTAL REVENUES	496,643	-	81,190	506,413	-	1,250	32,335	105	1,117,936
EXPENDITURES									
Current									
Airport	429,456	-	-	-	-	-	-	-	429,456
Economic development	-	16,592	-	-	-	-	-	-	16,592
Cemetery	-	-	63,339	-	-	-	-	-	63,339
Fire	-	-	-	521,437	-	-	-	-	521,437
Transportation	-	-	-	-	131,475	-	-	-	131,475
Other	-	-	-	-	-	-	-	237	237
Debt service									
Principal and interest	83,256	-	-	13,623	-	-	-	-	96,879
TOTAL EXPENDITURES	512,712	16,592	63,339	535,060	131,475	-	-	237	1,259,415
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(16,069)	(16,592)	17,851	(28,647)	(131,475)	1,250	32,335	(132)	(141,479)
OTHER FINANCING SOURCES (USES)									
Operating transfers in (out)	3,300	11,794	-	63,599	-	-	(32,335)	150	46,508
TOTAL OTHER FINANCING SOURCES (USES)	3,300	11,794	-	63,599	-	-	(32,335)	150	46,508
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(12,769)	(4,798)	17,851	34,952	(131,475)	1,250	-	18	(94,971)
FUND BALANCE, January 1	59,492	9,803	25,649	252,598	384,838	281,731	28,565	41,791	1,084,467
FUND BALANCE, December 31	\$ 46,723	\$ 5,005	\$ 43,500	\$ 287,550	\$ 253,363	\$ 282,981	\$ 28,565	\$ 41,809	\$ 989,496



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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

Honorable Mayor and 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, 2013, 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 June 13, 2014.

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 responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

3828 South Avenue • Springfield, Missouri 65807 • 417-882-0904 • fax 417-882-4343
500 West Main Street, Suite 200 • Branson, Missouri 65616 • 417-334-2987 • fax 417-336-3403

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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 responses to be a material weakness. It is identified as item 13-1.

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

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

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.

KPM CPAs, PC

KPM CPAs, PC
June 13, 2014

CITY OF BOLIVAR, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2013

13-1 Segregation of duties

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

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

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

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

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