

**CITY OF NIXA, MISSOURI**

FINANCIAL STATEMENTS  
WITH REQUIRED SUPPLEMENTARY  
INFORMATION AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2013

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen  
City of Nixa, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Nixa, 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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, each major fund, and the aggregate remaining fund information of the City of Nixa, 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 and budgetary comparison information* on pages 3 through 11 and pages 46 through 48, 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.



Decker & DeGood  
Springfield, Missouri  
April 11, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Nixa's financial performance provides an overview of the City's financial activities for the year ended December 31, 2013. Please read it in conjunction with the City's financial statements, which begin on page 12.

### Financial Highlights and Significant Events

- Purchase of Building 1111 Kathryn

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Nixa's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Nixa's finances, in a manner similar to private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the City. There are two government-wide statements, the statement of net position and the statement of activities, which are described below.

*The Statement of Net Position* presents information on all of the City's net assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

*The Statement of Activities* presents information showing how the government's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Nixa that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, judiciary,

public safety, transportation, culture and recreation. The business-type activities include the water, sewer, and electric systems.

The government-wide financial statements can be found on pages 12 and 13 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law, while others are established to help control and manage money for a particular purpose. The City's two kinds of funds are as follows:

- 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 the accrual method of accounting, which measures cash when earned and expenditures incurred. 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities and governmental funds in a reconciliation at the bottom of the fund financial statements.

The City of Nixa adopts an annual budget for its governmental funds and a comparison of actual to budget has been provided to demonstrate compliance with the authorized budget. The Statement of Revenues, Expenditures and Changes in Fund Balance on a Budgetary Basis can be found on page 46-48.

The basic governmental fund financial statements (Balance Sheet and Statement of Revenues, Expenditures and Change in Fund Balance) can be found on pages 14 and 16 of this report.

- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows. The basic proprietary fund financial statements (Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows) can be found on pages 18-20 of this report.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

### Required Supplemental Information

In addition to the basic financial statements the required supplementary information can be found on pages 46-48 of this report.

#### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. The City's governmental activities net assets exceeded liabilities by \$ 66 million at December 31, 2013. This was a slight decrease from the prior year.

The City's business-type activities net assets exceeded liabilities by \$ 38.5 million at December 31, 2013. This increase was due to growth in the proprietary funds by \$ 2.4 million of which \$ 500,000 was a law suit settlement for the Electric Fund.

As of December 31, 2013, net position changed as follows:

	<b>City of Nixa Net Position</b>			
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Current Assets	\$ 9,015,562	\$ 9,352,063	\$ 15,544,279	\$ 17,040,481
Noncurrent Assets	63,357,855	63,437,524	39,491,538	37,126,855
Total Assets	<u>72,373,417</u>	<u>72,789,587</u>	<u>55,035,817</u>	<u>54,167,336</u>
Current Liabilities	1,213,584	934,530	3,626,857	3,238,298
Long-term Debt	5,185,444	5,416,418	12,884,874	14,722,205
Total Liabilities	<u>6,399,028</u>	<u>6,350,948</u>	<u>16,511,731</u>	<u>17,960,503</u>
Net Position:				
Invested in capital assets-net	57,446,516	57,812,524	24,600,879	21,303,832
Restricted	256,377	318,669	606,694	1,077,565
Unrestricted	8,271,496	8,307,446	13,490,849	13,916,316
Total net position	<u>\$ 65,974,389</u>	<u>\$ 66,438,639</u>	<u>\$ 38,698,422</u>	<u>\$ 36,297,713</u>

**City of Nixa  
Changes in Net Position**

**Government-Wide Financial Analysis-continued**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Revenues:				
Program Revenues:				
Charge for services	\$ 1,833,837	\$ 1,664,948	\$ 20,055,100	\$ 19,931,677
Operating grants and contributions	136,127	34,670	-	-
Capital grants and contributions	129,647	565,534	128,882	65,046
General Revenues:				
Taxes	5,194,475	5,062,724	-	-
Interest	73,986	84,420	138,358	331,236
Other	6,695	21,891	500,000	-
Transfers	1,821,792	1,779,733	(1,821,792)	(1,779,733)
Total Revenue	<u>9,196,559</u>	<u>9,213,920</u>	<u>19,000,548</u>	<u>18,548,226</u>
Expenses:				
Administration	2,322,352	2,151,679	16,599,839	17,157,295
Public Safety	2,287,874	2,134,982	-	-
Building inspection	234,737	215,168	-	-
Storm water	24,987	23,884	-	-
Planning	164,477	190,856	-	-
Sanitation	843,906	810,214	-	-
Parks and recreation	1,156,083	1,012,241	-	-
Streets	2,400,347	2,275,191	-	-
Interest	226,046	254,022	-	-
Total Expense	<u>9,660,809</u>	<u>9,068,237</u>	<u>16,599,839</u>	<u>17,157,295</u>
Change in Net Position	(464,250)	145,683	2,400,709	1,390,931
Net Position, beginning	<u>66,438,639</u>	<u>66,292,956</u>	<u>36,297,713</u>	<u>34,906,782</u>
Net Position, ending	<u>\$ 65,974,389</u>	<u>\$ 66,438,639</u>	<u>\$ 38,698,422</u>	<u>\$ 36,297,713</u>

## Financial Analysis of the Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the City of Nixa's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Some significant items are presented below for comparison and analysis.

	Percent of Total	2013	2012	Change	
				Amount	%
<b>Revenues</b>					
Property taxes	8.58%	\$ 726,937	\$ 693,432	\$ 33,505	4.83%
Franchise taxes (cable/gas)	5.85%	495,580	437,567	58,013	13.26%
Sales taxes	38.58%	3,268,889	3,244,586	24,303	0.75%
Missouri motor fuel taxes	8.15%	690,083	683,480	6,603	0.97%
Licenses & permits	1.71%	144,535	94,907	49,628	52.29%
Charge for services	16.89%	1,431,333	1,365,614	65,719	4.81%
Fines & forfeits	3.04%	257,969	182,256	75,713	41.54%
Interest	0.87%	73,986	84,420	(10,434)	-12.36%
Interfund	14.63%	1,239,132	1,158,903	80,229	6.92%
Grants	0.38%	32,450	561,173	(528,723)	-94.22%
Miscellaneous	1.31%	111,323	83,669	27,654	33.05%
Total	100.00%	8,472,217	8,590,007	(117,790)	-1.37%
<b>Expenditures:</b>					
General government	21.73%	2,129,815	1,965,334	164,481	8.37%
Police	22.31%	2,186,938	2,042,311	144,627	7.08%
Building inspection	2.36%	231,697	216,429	15,268	7.05%
Streets	12.11%	1,186,874	1,094,029	92,845	8.49%
Planning	1.68%	164,173	190,153	(25,980)	-13.66%
Parks	10.12%	991,749	867,474	124,275	14.33%
Sanitation	8.61%	843,906	810,214	33,692	4.16%
Storm water	0.25%	24,987	22,563	2,424	10.74%
Capital outlay	13.05%	1,278,652	1,263,859	14,793	1.17%
Debt service	7.78%	762,332	619,314	143,018	23.09%
Total	100.00%	9,801,123	9,091,680	709,443	7.80%

Most notably increases was in Franchise tax and permits as all other items had slight increases. Budgets across all funds had been increased an average of 7%.

## Business-type Activities

In reviewing the current to the past year on the water, sewer, and electric fund, we noted the following:

	2013	2012	Change	
			Amount	%
Waterworks				
Revenue	\$ 1,577,953	\$ 1,703,049	\$ (125,096)	-7.35%
Expense net of Depreciation and interfund	804,108	822,411	(18,303)	-2.23%
Operating Income	190,203	325,502	(135,299)	-41.57%
Sewer				
Revenue	2,791,848	2,584,051	207,797	8.04%
Expense net of Depreciation and interfund	1,201,017	1,277,091	(76,074)	-5.96%
Operating Income	647,157	409,080	238,077	58.20%
Electric				
Revenue	15,548,362	15,519,118	29,244	0.19%
Expense net of Depreciation and interfund	12,656,618	12,973,977	(317,359)	-2.45%
Cost of power purchased	11,041,630	11,279,112	(237,482)	-2.11%
Operating Income	1,843,963	1,577,028	266,935	16.93%

Waterworks showed a slight operating income increase with the Sewer and Electric Funds posting decreases.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the budget for capital improvements as needed. The budget amendment was only slightly increased for additional line items that the Council felt they had the additional monies to go ahead and include in 2013.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land & Buildings	\$ 12,686,948	\$ 12,450,933	\$ 3,952,269	\$ 2,523,552	\$ 16,639,217	\$ 14,974,485
Improvements	2,509,286	2,176,531	48,022,827	45,023,754	50,532,113	47,200,285
Street	64,612,785	64,612,785	-	-	64,612,785	64,612,785
Equipment	2,720,966	2,383,616	1,344,481	1,231,464	4,065,447	3,615,080
Vehicles	1,502,011	1,327,289	2,587,632	2,506,930	4,089,643	3,834,219
Construction -in-Progress	181,908	138,926	582,718	2,105,316	764,626	2,244,242
	<u>\$ 84,213,904</u>	<u>\$ 83,090,080</u>	<u>\$ 56,489,927</u>	<u>\$ 53,391,016</u>	<u>\$ 140,703,831</u>	<u>\$ 136,481,096</u>

This year's additions and deletions include:

Land and Building 1111 Kathryn	\$ 1,296,181
Land 1137 S Norton Road	117,632
Downtown substation	479,139
Vehicles	133,077
Equipment	113,017
Other improvements and projects in process	<u>959,865</u>
Increase in Business-Type Activities	<u>3,098,911</u>
Land and Building 1111 Kathryn	203,555
Land 1137 S Norton Road	29,408
Aldersgate bridge	331,247
Vehicles	136,508
Equipment	128,933
Other improvements and projects in process	<u>294,173</u>
Increase in Governmental Activities	<u>1,123,824</u>
Total Increase	<u>\$ 4,222,735</u>

Additional information on the City's capital assets can be found in Note D of the notes to the financial statements of this report.

## Debt

At year-end, the City had \$ 19,979,157 in outstanding notes as compared to the prior year of \$ 21,728,000.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue Bonds	\$ -	\$ -	\$ 13,137,000	\$ 14,753,000	\$ 13,137,000	\$ 14,753,000
G.O. Bonds	2,057,700	2,265,000	-	-	2,057,700	2,265,000
Lease Obligations	3,534,457	3,360,000	1,250,000	1,350,000	4,784,457	4,710,000
<b>TOTALS</b>	<u>\$ 5,592,157</u>	<u>\$ 5,625,000</u>	<u>\$ 14,387,000</u>	<u>\$ 16,103,000</u>	<u>\$ 19,979,157</u>	<u>\$ 21,728,000</u>

Additional information on the City's long-term debt can be found in Note E of the notes to the financial statements of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's 2014 budget reflects revenue of \$ 31,030,245 and expenditures of \$ 35,468,304. Expenditures are comprised of \$ 26,063,674 in operating expenditures, \$ 2,803,016 for debt retirement, and \$ 6,601,614 in capital improvement projects.

The 2014 budget shows \$ 2,737,000 for street improvements to the intersection of Tracker and Main Streets to be funded by \$ 1,052,945 from STP Grant and the remainder from surplus reserves. Completion of renovation and expansion to Public Works Complex will be completed in 2014 to include a fleet garage. The total cost of \$ 252,000 for this project will be shared by all City Funds. City Funds will also share the cost of \$ 80,966 for an upgrade to the telephone system at the locations of City Hall, Police Department, Community Center, and Utility Billing. The 2014 budget includes improvements of \$ 1,366,000 for Electric System, \$ 919,000 for Water System, and \$ 705,000 for the Wastewater System. A budget amendment was approved in January 2014 in the amount of \$ 72,000 for the design of a Water Disinfection System.

All rates and fees imposed by the City are monitored on a continuous basis. An electric rate study is budgeted for 2014. Electric Fuel Cost Adjustment rates are evaluated semi-annually to coincide with new fuel cost rates received from the City's electric provider. The City entered a five year trash service contract with Republic Services to reflect minimal annual increases. Water and Wastewater rate studies were conducted in 2013 in order to set applicable customer rates.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at 715 West Mt. Vernon, Nixa, Missouri

Donna Swatzell,  
Finance Director

**CITY OF NIXA, MISSOURI**

STATEMENT OF NET POSITION

DECEMBER 31, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 7,725,716	\$ 13,298,951	\$ 21,024,667
Accounts receivable	1,269,668	1,177,575	2,447,243
Reimbursements receivable	-	36,937	36,937
Prepaid expenses	20,178	9,458	29,636
Materials and supply inventory	-	1,021,358	1,021,358
Restricted assets-cash			
Debt reserves	319,182	707,995	1,027,177
Capital assets:			
Land	1,545,798	918,683	2,464,481
Construction in progress	181,908	582,718	764,626
Other capital assets, net of accumulated depreciation	61,310,967	37,282,142	98,593,109
<b>Total Assets</b>	<b>72,373,417</b>	<b>55,035,817</b>	<b>127,409,234</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Unamortized loss on refunding	-	497,453	497,453
<b>LIABILITIES</b>			
Accounts payable	174,788	1,157,177	1,331,965
Accrued wages	68,902	23,308	92,210
Accrued payroll taxes and benefits	8,471	3,711	12,182
Accrued sales tax	-	19,331	19,331
Accrued interest	62,292	53,773	116,065
Customer deposits	-	800,557	800,557
Builders deposits	318,878	-	318,878
Noncurrent liabilities:			
Amounts due within one year	580,253	1,569,000	2,149,253
Amounts due in more than one year:			
Revenue Bonds	-	11,663,000	11,663,000
General Obligation Bonds	1,797,500	-	1,797,500
Capital Lease Obligations	3,214,404	1,155,000	4,369,404
Compensated absences	173,540	66,874	240,414
<b>Total Liabilities</b>	<b>6,399,028</b>	<b>16,511,731</b>	<b>22,910,759</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unamortized gain on refunding	-	323,117	323,117
<b>NET POSITION</b>			
Net investment in capital assets	57,446,516	24,600,879	82,047,395
Restricted for:			
Debt service	256,377	606,694	863,071
Unrestricted	8,271,496	13,490,849	21,762,345
<b>Total Net Position</b>	<b>\$ 65,974,389</b>	<b>\$ 38,698,422</b>	<b>\$ 104,672,811</b>

The accompanying notes are an integral  
part of these financial statements.

**CITY OF NIXA, MISSOURI**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>						
General government	\$ 2,322,352	\$ -	\$ -	\$ (1,056,833)	\$ -	\$ (1,056,833)
Public safety:						
Police	2,287,874	32,450	22,346	(1,975,109)	-	(1,975,109)
Building inspections	234,737	-	-	(73,742)	-	(73,742)
Storm water	24,987	810	-	(24,177)	-	(24,177)
Planning	164,477	-	-	(164,477)	-	(164,477)
Sanitation	843,906	-	-	98,718	-	98,718
Park and recreation	1,156,083	23,011	58,725	(629,295)	-	(629,295)
Streets	2,400,347	80,666	48,576	(2,429,738)	-	(2,429,738)
Interest on long-term debt	226,046	-	-	(226,046)	-	(226,046)
Total governmental activities	9,660,809	136,127	129,647	(6,480,699)	-	(6,480,699)
<b>Business-type activities:</b>						
Water	1,060,147	-	-	-	295,324	295,324
Sewer	2,005,172	-	128,882	-	592,629	592,629
Electric	13,534,520	-	-	-	1,615,691	1,615,691
Total business-type activities	16,599,839	-	128,882	-	2,503,644	2,503,644
<b>Total Primary Government</b>	<b>\$ 26,260,648</b>	<b>\$ 136,127</b>	<b>\$ 258,529</b>	<b>(6,480,699)</b>	<b>2,503,644</b>	<b>(3,977,055)</b>
<b>General Revenues</b>						
Taxes:						
Property taxes for general purposes				739,380	-	739,380
Franchise taxes				495,580	-	495,580
Sales taxes				3,268,889	-	3,268,889
Financial institutional taxes				543	-	543
Missouri motor fuel taxes				690,083	-	690,083
Fee in Lieu of Taxes				741,293	(741,293)	-
Interest on investments				73,986	138,358	212,344
Miscellaneous				6,695	-	6,695
Lawsuit settlement				-	500,000	500,000
Total general revenues, transfers, and special items				6,016,449	(102,935)	5,913,514
Change in net position				(464,250)	2,400,709	1,936,459
Net position beginning				66,438,639	36,297,713	102,736,352
Net position ending				\$ 65,974,389	\$ 38,698,422	\$ 104,672,811

The accompanying notes are an integral part of these financial statements.

**CITY OF NIXA, MISSOURI**

BALANCE SHEET -  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

ASSETS	General Fund	Street Fund	Park Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 3,798,089	\$ 3,564,970	\$ 348,159	\$ 14,498	\$ 7,725,716
Restricted assets: Cash					
Debt reserve	319,182	-	-	-	319,182
Accounts receivable-					
Real estate taxes	635,661	-	-	-	635,661
Refuse	54,362	-	-	-	54,362
Sales, franchise, and motor fuel taxes	337,452	137,780	-	-	475,232
Grants	-	104,413	-	-	104,413
Prepaid expenses	10,355	5,170	2,948	1,705	20,178
<b>Total Assets</b>	<b>\$ 5,155,101</b>	<b>\$ 3,812,333</b>	<b>\$ 351,107</b>	<b>\$ 16,203</b>	<b>\$ 9,334,744</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 156,990	\$ 9,291	\$ 6,790	\$ 1,717	\$ 174,788
Accrued wages	51,626	7,688	7,529	2,059	68,902
Accrued payroll taxes and benefits	8,471	-	-	-	8,471
Builders deposits	6,820	312,058	-	-	318,878
Unearned property tax	63,295	-	-	-	63,295
<b>Total Liabilities</b>	<b>287,202</b>	<b>329,037</b>	<b>14,319</b>	<b>3,776</b>	<b>634,334</b>
<b>FUND BALANCES</b>					
Fund Balances -					
Nonspendable	10,355	5,170	2,948	1,705	20,178
Restricted	318,669	3,041,123	-	-	3,359,792
Assigned	111,818	437,003	333,840	10,722	893,383
Unassigned	4,427,057	-	-	-	4,427,057
<b>Total Fund Balances</b>	<b>4,867,899</b>	<b>3,483,296</b>	<b>336,788</b>	<b>12,427</b>	<b>8,700,410</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,155,101</b>	<b>\$ 3,812,333</b>	<b>\$ 351,107</b>	<b>\$ 16,203</b>	<b>\$ 9,334,744</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF NIXA, MISSOURI**  
RECONCILIATION OF THE GOVERNMENT FUNDS  
BALANCE SHEET TO THE GOVERNMENT-WIDE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2013

Total Fund Balances-Governmental Funds	\$	8,700,410
Capital assets, net of accumulated depreciation, used in governmental activities not financial resources and, therefore, are not reported as assets in the governmental funds.		
Non-depreciable assets		1,727,706
Depreciable assets		<u>61,310,967</u>
		63,038,673
Revenue that is deferred in the funds financial statement because it is not available and recognized as revenue in the government-wide financial statements.		
		63,295
Interest on long-term debt is accrued as a liability in the government-wide statements but is not recognized in the government funds until due.		
		(62,292)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Long-term liabilities at year-end consist of:		
Bonds payable		(5,592,157)
Compensated absences payable		<u>(173,540)</u>
		<u>(5,765,697)</u>
Net position of governmental activities	\$	<u><u>65,974,389</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NIXA, MISSOURI**

STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Street Fund	Park Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes including penalties and interest	\$ 726,937	-	\$ -	-	\$ 726,937
Franchise taxes	495,580	-	-	-	495,580
Sales taxes	2,096,903	1,171,986	-	-	3,268,889
Financial institutional tax	543	-	-	-	543
Missouri motor fuel taxes	690,083	-	-	-	690,083
Licenses & permits	26,387	-	-	118,148	144,535
Charges for services	942,624	-	445,052	-	942,624
-Sanitation	-	-	-	43,657	43,657
-Park programs	-	-	-	-	-
-Plan reviews	-	-	-	-	-
Fines & forfeitures	257,969	-	-	-	257,969
Interest	42,249	26,689	5,048	-	73,986
Grants	32,450	-	-	-	32,450
Donations	-	-	7,923	-	7,923
Rents	-	-	15,088	-	15,088
Impact fees	81,071	-	-	-	81,071
Miscellaneous	1,125	3,983	-	1,590	6,698
Interfund reimbursements	1,239,132	-	-	-	1,239,132
-Administration fee	-	-	-	-	-
<b>Total Revenues</b>	<b>5,942,970</b>	<b>1,892,741</b>	<b>473,111</b>	<b>163,395</b>	<b>8,472,217</b>
<b>EXPENDITURES</b>					
Current:					
General government	2,129,815	-	-	-	2,129,815
Police	2,186,938	-	-	-	2,186,938
Building inspection	-	-	-	231,697	231,697
Streets	-	1,186,874	-	-	1,186,874
Planning	164,173	-	-	-	164,173
Parks	-	-	991,749	-	991,749
Sanitation	843,906	-	-	-	843,906
Storm water	-	-	-	24,987	24,987
Administrative fees	-	158,633	-	-	158,633
Capital outlay	255,366	733,948	289,338	-	1,278,652
Debt service:					
Principal retirement	456,676	-	61,965	-	518,641
Interest and fiscal agent fees	240,560	-	3,131	-	243,691
<b>Total Expenditures</b>	<b>6,277,434</b>	<b>2,079,455</b>	<b>1,346,183</b>	<b>256,684</b>	<b>9,959,756</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(334,464)</b>	<b>(186,714)</b>	<b>(873,072)</b>	<b>(93,289)</b>	<b>(1,487,539)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	-	-	570,000	101,000	671,000
Transfers to other funds	(671,000)	-	-	-	(671,000)
Builders contribution to street projects	-	48,576	-	-	48,576
Issuance of 2013 GO Refunding issue	-	-	1,822,700	-	1,822,700
Refunded 2001 A Park Improvement bonds	-	-	(1,805,000)	-	(1,805,000)
Debt issue cost on refunding bonds	-	-	(17,700)	-	(17,700)
Loan proceeds on vehicles and park equipment	215,000	-	253,098	-	468,098
Restitution	-	80,666	-	-	80,666
Fee in Lieu of Taxes	741,293	-	-	-	741,293
<b>Total Other Sources (Uses)</b>	<b>285,293</b>	<b>129,242</b>	<b>823,098</b>	<b>101,000</b>	<b>1,338,633</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>(49,171)</b>	<b>(57,472)</b>	<b>(49,974)</b>	<b>7,711</b>	<b>(148,906)</b>
<b>FUND BALANCES - BEGINNING</b>	<b>4,917,070</b>	<b>3,540,768</b>	<b>386,762</b>	<b>4,716</b>	<b>8,849,316</b>
<b>FUND BALANCES- ENDING</b>	<b>\$ 4,867,899</b>	<b>\$ 3,483,296</b>	<b>\$ 336,788</b>	<b>\$ 12,427</b>	<b>\$ 8,700,410</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF NIXA, MISSOURI**  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balances--total governmental funds \$ (148,906)

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 those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital expenditures	1,278,652
Less: Current year depreciation	(1,677,502)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the same statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position

Payment of bond principal	518,641
Issuance of refunded debt	(1,822,700)
Payment of bond refunded	1,805,000
New debt issued on Police cars and Park equipment	(468,098)

Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measureable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported regardless of when financial resources are available. This is the net adjustment to property tax revenue in converting to the full accrual basis.

12,443

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

Compensated absences	2,878
Accrued interest on bonded debt	35,342

Change in net position of governmental activities	\$ (464,250)
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The accompanying notes are an integral part of these financial statements.

**CITY OF NIXA, MISSOURI**

STATEMENT OF NET POSITION-

PROPRIETARY FUNDS

DECEMBER 31, 2013

<u>ASSETS</u>	<u>Waterworks</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>
Current assets:				
Cash	\$ 2,792,112	\$ 2,596,627	\$ 7,910,212	\$ 13,298,951
Utility accounts receivable	84,192	175,605	917,778	1,177,575
Reimbursement receivable	-	36,937	-	36,937
Material and supplies inventory	113,252	-	908,106	1,021,358
Prepaid expenses	2,427	2,650	4,381	9,458
Total Current Assets	<u>2,991,983</u>	<u>2,811,819</u>	<u>9,740,477</u>	<u>15,544,279</u>
Noncurrent assets:				
Restricted assets: Cash				
Debt service reserve	-	90,881	617,114	707,995
Capital assets:				
Land	116,751	149,255	652,677	918,683
Construction in progress	56,903	78,634	447,181	582,718
Property, plant and equipment (Net of accumulated depreciation)	<u>5,858,465</u>	<u>16,462,069</u>	<u>14,961,608</u>	<u>37,282,142</u>
Total Noncurrent Assets	<u>6,032,119</u>	<u>16,780,839</u>	<u>16,678,580</u>	<u>39,491,538</u>
 Total Assets	 <u>9,024,102</u>	 <u>19,592,658</u>	 <u>26,419,057</u>	 <u>55,035,817</u>
 <u>DEFERRED OUTFLOW OF RESOURCES</u>				
Unamortized loss on refunding	<u>42,966</u>	<u>55,557</u>	<u>398,930</u>	<u>497,453</u>
 <u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	23,968	18,268	1,114,941	1,157,177
Accrued wages	5,563	7,325	10,420	23,308
Accrued payroll taxes and benefits	-	-	3,711	3,711
Accrued sales tax	802	-	18,529	19,331
Accrued interest	3,029	2,312	48,432	53,773
Customer deposits	157,875	-	642,682	800,557
Debt due within one year:				
Revenue bonds payable	205,000	514,000	755,000	1,474,000
Capital lease obligation	-	95,000	-	95,000
Total Current Liabilities	<u>396,237</u>	<u>636,905</u>	<u>2,593,715</u>	<u>3,626,857</u>
Noncurrent liabilities:				
Revenue bonds payable	1,575,000	4,198,000	5,890,000	11,663,000
Capital lease obligation	-	1,155,000	-	1,155,000
Compensated absences	22,141	17,363	27,370	66,874
Total Noncurrent Liabilities	<u>1,597,141</u>	<u>5,370,363</u>	<u>5,917,370</u>	<u>12,884,874</u>
Total Liabilities	<u>1,993,378</u>	<u>6,007,268</u>	<u>8,511,085</u>	<u>16,511,731</u>
 <u>DEFERRED INFLOW OF RESOURCES</u>				
Unamortized gain on refunding	<u>-</u>	<u>171,775</u>	<u>151,342</u>	<u>323,117</u>
 <u>NET POSITION</u>				
Net investment in capital assets	4,295,085	10,611,740	9,694,054	24,600,879
Restricted for revenue bond retirement	-	37,688	569,006	606,694
Unrestricted	<u>2,778,605</u>	<u>2,819,744</u>	<u>7,892,500</u>	<u>13,490,849</u>
Total Net Position	<u>\$ 7,073,690</u>	<u>\$ 13,469,172</u>	<u>\$ 18,155,560</u>	<u>\$ 38,698,422</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NIXA, MISSOURI**  
STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

OPERATING REVENUES:	Waterworks	Sewer	Electric	Total
Charges for services	\$ 1,516,712	\$ 2,633,203	\$ 15,490,560	\$ 19,640,475
Recycling charges	-	150,050	-	150,050
Hookups, permits, and reconnect fees	50,347	2,992	34,733	88,072
Miscellaneous income	10,894	5,603	23,069	39,566
Total Operating Revenue	<u>1,577,953</u>	<u>2,791,848</u>	<u>15,548,362</u>	<u>19,918,163</u>
OPERATING EXPENSES:				
Administrative fee to General Fund	352,958	322,929	404,612	1,080,499
Chemicals	8,988	93,413	-	102,401
Computer supplies and expense	24,582	27,202	31,903	83,687
Contract labor	5,558	17,660	64,921	88,139
Depreciation	230,684	620,745	643,169	1,494,598
Dues and licenses	14,817	5,551	11,438	31,806
Electricity purchased	-	-	11,041,630	11,041,630
Employee insurance	59,792	88,059	133,636	281,487
Employee retirement	30,389	41,696	70,538	142,623
Gasoline and diesel	18,443	29,168	25,971	73,582
Insurance	38,404	53,081	55,966	147,451
Miscellaneous	1,523	14,113	11,233	26,869
Office supplies and postage	40,165	38,285	39,370	117,820
Payroll taxes	19,799	28,302	46,759	94,860
Professional fees	35,089	28,734	97,205	161,028
Repairs & maintenance	78,924	160,925	35,684	275,533
Recycle expense	-	122,921	-	122,921
Safety program	1,651	1,603	11,783	15,037
Salaries	259,134	353,963	599,645	1,212,742
Supplies	139,863	58,284	256,728	454,875
Telephone	5,538	4,916	6,194	16,648
Tests and permits	5,660	14,634	632	20,926
Training	5,742	-	9,875	15,617
Tree trimming	-	-	74,134	74,134
Utilities	3,539	7,029	2,851	13,419
Uniforms	2,667	3,524	9,073	15,264
Vehicle expense	3,841	7,954	19,449	31,244
Total Operating Expenses	<u>1,387,750</u>	<u>2,144,691</u>	<u>13,704,399</u>	<u>17,236,840</u>
OPERATING INCOME	<u>190,203</u>	<u>647,157</u>	<u>1,843,963</u>	<u>2,681,323</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income-checking and savings	26,917	25,709	85,732	138,358
Interest income SRF bond reserves	-	86,955	-	86,955
Rent	130,476	-	-	130,476
Interest expense and agent fees	(25,355)	(270,365)	(234,733)	(530,453)
Total Non-operating Revenues (Expenses)	<u>132,038</u>	<u>(157,701)</u>	<u>(149,001)</u>	<u>(174,664)</u>
INCOME BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>322,241</u>	<u>489,456</u>	<u>1,694,962</u>	<u>2,506,659</u>
CAPITAL CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEMS				
Fee in Lieu of Taxes to General Fund	(75,169)	-	(666,124)	(741,293)
Sale of supplies	-	-	6,461	6,461
Lawsuit settlement proceeds	-	-	500,000	500,000
Impact fees	-	128,882	-	128,882
Total Capital Contributions, Transfers and Special items	<u>(75,169)</u>	<u>128,882</u>	<u>(159,663)</u>	<u>(105,950)</u>
CHANGE IN NET POSITION	247,072	618,338	1,535,299	2,400,709
TOTAL NET POSITION - BEGINNING	<u>6,826,618</u>	<u>12,850,834</u>	<u>16,620,261</u>	<u>36,297,713</u>
TOTAL NET POSITION - ENDING	<u>\$ 7,073,690</u>	<u>\$ 13,469,172</u>	<u>\$ 18,155,560</u>	<u>\$ 38,698,422</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NIXA, MISSOURI**  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Waterworks	Sewer	Electric	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 1,592,962	\$ 2,794,483	\$ 15,572,096	\$ 19,959,541
Payments to suppliers	(778,432)	(1,021,339)	(11,973,098)	(13,772,869)
Payments to employees	(366,403)	(513,437)	(843,044)	(1,722,884)
Net Cash Provided by Operating Activities	<u>448,127</u>	<u>1,259,707</u>	<u>2,755,954</u>	<u>4,463,788</u>
<b>CASH FLOWS FROM NONCAPITAL ACTIVITIES:</b>				
Fee in Lieu of Taxes	(75,169)	-	(666,124)	(741,293)
Sale of supplies	-	-	6,461	6,461
Lawsuit settlement	-	-	500,000	500,000
Net Cash (Used for) Noncapital Activities	<u>(75,169)</u>	<u>-</u>	<u>(159,663)</u>	<u>(234,832)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Rent	130,476	-	-	130,476
Impact fees	-	128,882	-	128,882
Payments for capital acquisitions	(319,130)	(914,148)	(1,918,007)	(3,151,285)
Loss on refunding debt	(42,966)	(55,557)	-	(98,523)
2013 refunded debt issue	1,955,000	1,335,000	-	3,290,000
Payment on 2005 debt	(2,155,000)	(1,290,000)	-	(3,445,000)
Principal Repayments	(175,000)	(651,000)	(735,000)	(1,561,000)
Interest paid	(25,356)	(200,732)	(267,822)	(493,910)
Net Cash (Used for) Capital and Related Financing Activities	<u>(631,976)</u>	<u>(1,647,555)</u>	<u>(2,920,829)</u>	<u>(5,200,360)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest earned	26,917	25,709	85,732	138,358
Net Cash Provided by Investing Activities	<u>26,917</u>	<u>25,709</u>	<u>85,732</u>	<u>138,358</u>
<b>NET CASH (DECREASE) FOR THE YEAR</b>	<b>(232,101)</b>	<b>(362,139)</b>	<b>(238,806)</b>	<b>(833,046)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>3,024,213</b>	<b>3,049,647</b>	<b>8,766,132</b>	<b>14,839,992</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 2,792,112</b>	<b>\$ 2,687,508</b>	<b>\$ 8,527,326</b>	<b>\$ 14,006,946</b>
<b>SUMMARY OF CASH</b>				
Cash and investments	\$ 2,792,112	\$ 2,596,627	\$ 7,910,212	\$ 13,298,951
Restricted assets-Cash	-	90,881	617,114	707,995
	<u>\$ 2,792,112</u>	<u>\$ 2,687,508</u>	<u>\$ 8,527,326</u>	<u>\$ 14,006,946</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating Income	\$ 190,203	\$ 647,157	\$ 1,843,963	\$ 2,681,323
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation	230,684	620,745	643,169	1,494,598
(Increase) Decrease in accounts receivable	3,739	2,635	(25,382)	(19,008)
(Increase) Decrease in inventories	8,140	-	32,739	40,879
(Increase) Decrease in prepaid expenses	(123)	(294)	(815)	(1,232)
Increase (Decrease) in accounts payable	5,408	(5,932)	208,386	207,862
Increase (Decrease) in accrued wages	677	1,403	5,079	7,159
Increase (Decrease) in accrued interest	(3,905)	(3,187)	(2,756)	(9,848)
Increase in customer deposits	11,270	-	49,116	60,386
Increase (Decrease) in compensated absences	2,034	(2,820)	2,455	1,669
Net Cash Provided by Operating Activities	<u>\$ 448,127</u>	<u>\$ 1,259,707</u>	<u>\$ 2,755,954</u>	<u>\$ 4,463,788</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Nixa, Missouri, (the City) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (U.S. GAAP). The following summary of the more significant policies of the City is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

**THE REPORTING ENTITY**

Entity status for financial reporting purposes is governed by Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for the establishment of GAAP in governmental entities. The financial statements of the City present the financial activities of the City and any component units. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's Board or because the component unit will provide a financial benefit or impose a financial burden on the City. The City does not have any component units.

**FINANCIAL STATEMENTS PRESENTATION**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

*Fund financial statements.* The fund financial statements report information about the City's funds. Separate columns are presented for each major governmental fund and for each major enterprise fund.

**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**The City reports the following major governmental funds:**

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

Street Fund – This fund is used exclusively for the revenues of and expense from the operations, maintenance and improvements of City streets. This fund includes the Missouri Motor Fuel taxes, ½ cent sales tax and Christian County sales tax for streets.

Park Fund – This fund is used exclusively for the revenues of and expenses from the operations of the swimming pool and all park activities.

**The City reports the following major proprietary funds:**

Waterworks Fund – This fund is used to account for operations of the City’s water department.

Sewer Fund – This fund is used to account for operations of the City’s sewer department.

Electrical Fund—This fund is used to account for operations of the City’s electric department.

Additionally, the City reports the following non-major governmental funds:

Building Inspection Fund – This fund is used to account for permits and building inspections and related expenses.

Storm Water Fund – This fund is used to account for permits and storm retention related expenses.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recognized at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable, and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales tax, intergovernmental taxes, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer, and electric function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation, the principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE**

**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.

**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents-continued**

Cash balances from the majority of funds recorded as restricted accounts are pooled for investment purposes. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund. The investment pools are managed such that all participating funds have the ability to deposit and withdraw cash as if they were demand deposit accounts, and therefore all balances representing participants' equity in the investment pools are classified as cash equivalents for purposes of these statements. For investments which are held separately from the pools, those which are highly liquid (including restricted assets) with an original or remaining maturity of 90 days or less when purchased are considered to be cash equivalents.

For cash flow statement purposes, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Investments**

Missouri State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements. Investments are stated at fair market value.

**Due to and due from other funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**Accounts Receivable**

All receivables were stated at gross because the amounts were collected within the following 30 days except for electric, water and sewer utilities receivable which had allowances of \$ 182,088 electric, \$ 27,187 water and \$ 51,168 for sewer.

**Inventories**

Inventories consist of consumable supplies and are stated at cost, using the first-in/first-out (FIFO) method. Reported inventories are equally offset by a fund balance reserve.

**Prepaid items**

Payment made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items in both the government-wide and fund financial statements.

**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Restricted assets**

Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amount of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. The bond account is used only for the payment of principal and interest on revenue bonds. The depreciation and replacement account is to be expended only for repairs or replacements to the water, sewer, and electric funds. The bond reserve account is to be used only to pay bonds at maturity or interest as it becomes due and to the extent other funds are not available for this purpose.

Certain General Fund monies are classified as restricted assets on the Statement of Net Position and Balance Sheet because their use is limited by covenants of the capital lease agreement. The reserve account is to be used solely for the purpose of making lease payments on the applicable due dates when and to the extent other funds are not available for this purpose. The lease payment account is used only for the payment of the principal and interest on the lease obligation.

**Capital Assets and Depreciation**

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings	7-40 years
Site improvements	7-55 years
Streets	20-40 years
Furniture and equipment	7-20 years
Vehicles	5-10 years

**CITY OF NIXA, MISSOURI**  
 NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capitalization of interest**

Interest costs are capitalized when incurred by proprietary funds where proceeds were used to finance construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest was capitalized for 2013 and interest cost information for the enterprise funds for the year ended December 31, 2013 is as follows:

	Water Fund	Wastewater Fund	Electric Fund
Total interest costs	\$ 28,355	\$ 270,365	\$ 234,733

**Deferred Outflows/Inflows of Resources**

In the proprietary funds and the government-wide the bond premium and discount are amortized using either straight-line or effective interest method over the term of the bonds. The excess costs incurred over the carrying value of bonds refunded on early extinguishment of debt is amortized as a component of interest expense using either straight-line or effective-interest methods over the shorter of the remaining life of the old debt or the life of the new bond issue. Bond issue costs are charged off in the year incurred.

**Obligation for Bond Arbitrage Rebate**

Pursuant to Section 148(f) of the U. S. Internal Revenue Code, the City must rebate to the United State Government the excess of interest earned from the investment of certain debt proceeds and pledged revenues over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five year anniversary of the respective debt issue. As of December 31, 2013 the City had no outstanding arbitrage rebate liability.

**Vacation, sick leave, and other compensated absences**

City employees are entitled to certain compensated absences based on their length of employment. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Pensions**

Pension cost is recorded as an expense when submitted to the trustee.

**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Long-term Obligations**

In the governmental-wide financial statements and proprietary fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period with long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains or loss on refunding, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Balances-Governmental Funds**

As of December 31, 2013, fund balances of the governmental funds are classified as follows:

**Non-spendable**-This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted**-This classification includes amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed**-This classification includes amounts that can be used only for specific purposes determined by a formal action by the City Council. Such formal action may be in the form of an ordinance and may only be modified or rescinded by a subsequent formal action.

**Assigned**-This classification includes amounts that are intended by the City to be used for a specific purpose but are neither restricted nor committed. Assignments may be made only by the government body or official.

**Unassigned**-This classification represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

**CITY OF NIXA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balances-Governmental Funds-continued**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assigned actions.

**Net Position**

In the government-wide and proprietary fund statements, net assets are reported in three components-net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, deferred outflows, and reduced by the outstanding balances of any bonds or notes issued to acquire, construct or improve those assets and deferred inflows. Restricted net assets are reported when constraints placed on net assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by enabling legislation. Unrestricted net assets are net assets that do not meet the definition of either of the first categories of net assets.

The following schedule shows the breakdown of reserves as required by debt issues and capital improvements:

**Proprietary Fund Types-Business Type Activities**

<u>Fund</u>	<u>Debt Service</u>	<u>Bond Reserve</u>	<u>Total</u>
Sewer	\$ -	\$ 37,688	\$ 37,688
Electric	569,006	-	569,006
	<u>\$ 569,006</u>	<u>\$ 37,688</u>	<u>\$ 606,694</u>

**Governmental Fund Types-General Fund**

General	
Debt reserves	<u>\$ 256,377</u>

**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Indirect Expenses Allocation**

General administrative overhead costs are charged to all City functions, based on the proportionate benefit to each function, as determined through the City's annually-prepared cost allocation plan. These indirect expenses are identified in a separate column on the government-wide statement of activities.

**Use of Estimates**

In preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

**Revenue Recognition - Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 1, of the following year. Valuation for 2013 was \$ 209,232,750 with the levy set at \$ .3316 for General Fund purposes only.

**Revenue Recognition - Sales Tax authorizations**

Sales tax authorizations consist of a one-cent general sales recorded in the General Fund (\$ 2,096,903), one-half cent transportation sales tax to be used for street purposes in the Street Fund (\$ 1,048,451) and also in the Street Fund a Christian County sales tax for streets (\$ 123,535).

**Fee in Lieu of Taxes**

The Water and Electric Funds make an annual payment in lieu of taxes to the General Fund, which is based on a percentage of sales of utilities. That payment is reflected as a transfer on the statement of revenues, expenses and changes in net position.

**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

The City is required by Missouri State Law RsMo 105.485 to prepare a budget each year based on estimates of revenues and expected expenditures which include at a minimum a budget message, budget summary, schedule with prior year comparison of estimated revenue and expenditures, schedule of bonded debt obligations and budget approval letter. The accompanying statement of revenues, expenditures and changes in fund balance—budget and actual includes the budgeted expenditures for the year, along with management’s estimate of revenues for the year for both the original budget and the final budget which is reflective of any amendments throughout the fiscal year. The legal level of budgetary control is at the total fund level.

**Budgetary basis of accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (modified accrual basis) for all governmental funds.

**Excess of expenditures over appropriations**

For the year ended December 31, 2013, expenditures did not exceed appropriations in any fund.

**Reporting Compliance on Court Fines**

Court fines for 2013 totaled \$ 257,969 which was 4.34% of General Operating Revenues.

**DETAILED NOTES ON ALL FUNDS**

**NOTE B – DEPOSITS AND INVESTMENTS**

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City’s bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City’s cash not insured by the Federal Deposit Insurance Corporation.

As of December 31, 2013 the City’s bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City’s name.

Investment Policies

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does have a written investment policy covering credit risk.

**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE B – DEPOSITS AND INVESTMENTS (Continued)**

Investment Policies - continued

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City’s policy is to limit the length of investments to meet cash flow requirements for ongoing operations, thereby avoiding the need to sell securities before maturity.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. The City policy is to invest in only those instruments approved by the State of Missouri which have minimal risk.

**Custodial Credit Risk** is the risk that in the event of a broker/agent failure, securities that are uninsured and not registered in the name of the City and are held by either the counterparty to the transaction or the counterparty’s trust department or agent but not in the government’s name will not be returned to the City. The City does have a written investment policy on custodial credit risk which all investments are either insured or registered in the City’s name and held by the City’s agent.

**NOTE C – RESTRICTED ASSETS**

For December 31, 2013, restricted cash accounts were as follows:

	Actual Cash	Required Per Bond Agreements
ENTERPRISE FUND		
Sewer		
Debt Reserves	<u>\$ 617,114</u>	<u>\$ 569,006</u>
Electric		
Debt Reserves	<u>\$ 40,881</u>	<u>\$ 40,000</u>
 GRAND TOTAL	 <u>\$ 657,995</u>	 <u>\$ 609,006</u>
 GOVERNMENTAL TYPE FUNDS		
General Fund		
Debt Reserves	<u>\$ 319,182</u>	<u>\$ 318,669</u>

The City was in compliance with required bonded debt reserves for the year.

**CITY OF NIXA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2013

**NOTE D – CAPITAL ASSETS AND DEPRECIATION**

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

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,504,380	\$ 41,418		\$ 1,545,798
Construction in progress	138,926	42,982		181,908
Subtotal	<u>1,643,306</u>	<u>84,400</u>	<u>-</u>	<u>1,727,706</u>
Capital assets, being depreciated:				
Buildings	10,946,553	194,597	-	11,141,150
Improvements	2,176,530	332,756	-	2,509,286
Streets	64,612,785	-	-	64,612,785
Equipment	2,383,616	337,350	-	2,720,966
Vehicles	1,327,289	329,549	154,827	1,502,011
Subtotal	<u>81,446,773</u>	<u>1,194,252</u>	<u>154,827</u>	<u>82,486,198</u>
Accumulated depreciation:				
Buildings	2,651,194	277,470	-	2,928,664
Improvements	124,091	71,729	-	195,820
Streets	13,904,038	1,062,862	-	14,966,900
Equipment	1,953,866	128,933	-	2,082,799
Vehicles	1,019,367	136,508	154,827	1,001,048
Subtotal	<u>19,652,556</u>	<u>1,677,502</u>	<u>154,827</u>	<u>21,175,231</u>
Net other capital assets	<u>61,794,217</u>	<u>(483,250)</u>	<u>-</u>	<u>61,310,967</u>
Capital Assets	<u>\$ 63,437,523</u>	<u>\$ (398,850)</u>	<u>\$ -</u>	<u>\$ 63,038,673</u>

Depreciation was charged to functions as follows:

Governmental activities:

General government	\$ 183,838
Police	107,597
Building inspections	5,172
Planning	304
Streets	1,213,847
Parks	166,744
	<u>\$ 1,677,502</u>

**CITY OF NIXA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE D – CAPITAL ASSETS AND DEPRECIATION (Continued)**

Business Type Activities:

<b>WATERWORKS FUND</b>				
	Beginning			Ending
	Balance	Increases	Decreases	Balance
Land	\$ 47,435	\$ 69,316	\$ -	\$ 116,751
Construction in progress	-	56,903	-	56,903
Total	<u>\$ 47,435</u>	<u>\$ 126,219</u>	<u>\$ -</u>	<u>\$ 173,654</u>
Buildings	\$ 264,136	\$ 149,497	\$ -	\$ 413,633
Plant	7,982,620	-	-	7,982,620
Equipment	277,420	-	-	277,420
Vehicles	312,235	43,414	21,178	334,471
Total	<u>8,836,411</u>	<u>192,911</u>	<u>21,178</u>	<u>9,008,144</u>
Accumulated depreciation	<u>(2,940,174)</u>	<u>(230,684)</u>	<u>(21,178)</u>	<u>(3,149,680)</u>
Other capital assets, net of depreciation	<u>\$ 5,896,237</u>			<u>\$ 5,858,464</u>

<b>SEWER FUND</b>				
	Beginning			Ending
	Balance	Increases	Decreases	Balance
Land	\$ 118,669	\$ 30,586	\$ -	\$ 149,255
Construction in progress	1,220,158	181,603	1,323,127	78,634
Total	<u>\$ 1,338,827</u>	<u>\$ 212,189</u>	<u>\$1,323,127</u>	<u>\$ 227,889</u>
Buildings	\$ 935,277	\$ 344,897	\$ -	\$ 1,280,174
Plant	19,251,576	1,592,926	-	20,844,502
Equipment	388,179	62,993	-	451,172
Vehicles	743,756	24,270	-	768,026
Total	<u>21,318,788</u>	<u>2,025,086</u>	<u>-</u>	<u>23,343,874</u>
Accumulated depreciation	<u>(6,261,060)</u>	<u>(620,745)</u>	<u>-</u>	<u>(6,881,805)</u>
Other capital assets, net of depreciation	<u>\$ 15,057,728</u>			<u>\$ 16,462,069</u>

**CITY OF NIXA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2013

**NOTE D – CAPITAL ASSETS AND DEPRECIATION (Continued)**

Business Type Activities:

	<b>ELECTRIC FUND</b>			
	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 538,957	\$ 113,720	\$ -	\$ 652,677
Construction in progress	885,158	968,171	1,406,148	447,181
Total	\$ 1,424,115	\$1,081,891	\$1,406,148	\$ 1,099,858
Buildings	\$ 332,980	\$ 720,701	\$ -	\$ 1,053,681
Plant	18,075,655	1,406,147	-	19,481,802
Equipment	565,865	50,024	-	615,889
Vehicles	1,450,939	65,393	31,197	1,485,135
Total	20,425,439	2,242,265	31,197	22,636,507
Accumulated depreciation	(7,062,927)	(643,169)	(31,197)	(7,674,899)
Other capital assets, net of depreciation	\$ 13,362,512			\$ 14,961,608

	<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>			
	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 705,061	\$ 213,622		\$ 918,683
Construction in progress	2,105,316	1,206,677	2,729,275	582,718
Total	\$ 2,810,377	\$ 1,420,299	\$2,729,275	\$ 1,501,401
Buildings	\$ 1,818,491	\$ 1,215,095	\$ -	\$ 3,033,586
Plant	45,023,754	2,999,073	-	48,022,827
Equipment	1,231,464	113,017	-	1,344,481
Vehicles	2,506,930	133,077	52,375	2,587,632
Total	50,580,639	4,460,262	52,375	54,988,526
Accumulated depreciation	(16,264,161)	(1,494,598)	(52,375)	(17,706,384)
Other capital assets, net of depreciation	\$ 34,316,478			\$ 37,282,142

**CITY OF NIXA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2013

**NOTE E – LONG-TERM DEBT**

**Business-type activities**

The following is a summary of debt transactions of the City for the year ended December 31, 2013 as it relates to the business type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount due Within one Year
Revenue Bonds	\$ 14,753,000	\$ 1,955,000	\$ 3,571,000	\$ 13,137,000	\$ 1,474,000
Lease Obligations	1,350,000	1,335,000	1,435,000	1,250,000	95,000
<b>Totals</b>	<u>\$ 16,103,000</u>	<u>\$ 3,290,000</u>	<u>\$ 5,006,000</u>	<u>\$ 14,387,000</u>	<u>\$ 1,569,000</u>
Compensated absences	<u>\$ 65,205</u>	<u>\$ 77,383</u>	<u>\$ 75,714</u>	<u>\$ 66,874</u>	<u>\$ -</u>

As reported on the financial statement:

Amount due within one year	\$ 1,569,000
Amount due in more than one year:	
Revenue bonds	11,663,000
Capital Lease Obligation	<u>1,155,000</u>
	<u>\$ 14,387,000</u>

The bond ordinances require that the City establish rates and charges for its electric, water and sewer services, such that the revenues derived from the electric, water and sewer system are sufficient to provide for the payment of principal and interest on the revenue bonds and for the operation and maintenance of the electric, water and sewer system.

**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE E – LONG-TERM DEBT (Continued)**

The Proprietary Funds long-term debt as of December 31, 2013 follows:

**Electric Fund**

\$ 7,865,000, 2011 Series, Electric System Refunding Revenue Bonds due in annual installments of principal ranging from \$ 485,000 to \$ 775,000 and semi-annual interest payments of 2.375% to 3.125% debt matures April 1, 2023	\$ 6,645,000
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Total Electric Fund	6,645,000
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**Waterworks Fund**

\$ 1,780,000, 2013 Series, Combined Waterworks and Sewerage System Revenue Refunding Revenue Bonds due in annual installments at 2.00%-2.250% interest, matures June 1, 2023	1,780,000
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Total Water Fund	1,780,000
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**Sewer Fund**

\$ 1,940,000, 1994 Series, State Revolving Fund Sewer Financing due in monthly payments as set every six month with interest rates ranging from 5.25% to 7.2%, matures January 1, 2016	242,000
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\$ 500,000, 2002 Series, Combined Waterworks and Sewerage System Revenue Bonds (SRF-Direct Loan Program) due in annual installments at 1.60% interest, matures July 1, 2023	270,000
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\$ 7,500,000, 2001 Series, Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) due in monthly installments at 3.00%-5.375% interest, matures July 1, 2023	4,200,000
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Total Sewer Fund	4,712,000
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Total Business-type debt revenue bonds	\$ 13,137,000
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**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE E – LONG-TERM DEBT (Continued)**

The annual requirements to amortize bonded debt as of December 31, 2013 follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 1,474,000	\$ 443,636	\$ 1,917,636
2015	1,514,000	393,728	1,907,728
2016	1,261,000	344,711	1,605,711
2017	1,236,000	300,439	1,536,439
2018	1,272,000	255,829	1,527,829
2019-2023	6,380,000	620,663	7,000,663
	<u>\$ 13,137,000</u>	<u>\$ 2,359,006</u>	<u>\$ 15,496,006</u>

**Governmental activities**

The following is a summary of debt transactions of the City for the year ended December 31, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount due Within one Year
General Obligation Bonds	\$ 2,265,000	\$ 1,822,700	\$ 2,030,000	\$ 2,057,700	\$ 260,200
Capital Lease Obligation	3,360,000	468,098	293,641	3,534,457	320,053
	<u>\$ 5,625,000</u>	<u>\$ 2,290,798</u>	<u>\$ 2,323,641</u>	<u>\$ 5,592,157</u>	<u>\$ 580,253</u>
Compensated absences	<u>\$ 176,418</u>	<u>\$ 202,655</u>	<u>\$ 205,533</u>	<u>\$ 173,540</u>	<u>\$ -</u>

As reported on the financial statement:

Amount due within one year	\$ 580,253
Amount due in more than one year:	
General Obligation bonds	1,797,500
Capital Lease Obligations	<u>3,214,404</u>
Total	<u>\$ 5,592,157</u>

**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE E – LONG-TERM DEBT (Continued)**

The Governmental long-term debt as of December 31, 2013 follows:

\$4,100,000, 2001A Series, General Obligation Park Improvement Bonds, due in annual installments of principal ranging \$ 215,000 to \$ 300,000 and interest paid semi-annual at 3.25% to 5.10% matures March 1, 2014	\$ 235,000
\$1,722,700, 2013 Series, General Obligation Refunding Bonds due in annual installments of principal ranging \$ 165,300 to \$ 289,200 and interest paid semi-annual at 2.50% maturing March 1, 2021	<u>1,822,700</u>
	<u>\$ 2,057,700</u>

The annual requirement to amortize bonded debt as of December 31, 2013 follows:

Year Ending December 31,	Principal	Interest	Totals
2014	\$ 260,200	\$ 38,055	\$ 298,255
2015	257,400	41,720	299,120
2016	263,300	35,211	298,511
2017	268,900	28,559	297,459
2018	274,200	21,770	295,970
2019-2021	<u>733,700</u>	<u>24,665</u>	<u>758,365</u>
	<u>\$ 2,057,700</u>	<u>\$ 189,980</u>	<u>\$ 2,247,680</u>

**CITY OF NIXA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2013

**NOTE F – CAPITALIZED LEASE OBLIGATION**

Governmental Activities

On August 1, 2013, the City entered into a cancelable lease for the expansion of City Hall. The expansion has been capitalized at cost in the in Governmental Activities for the original amount of \$ 4,250,000 with accumulated depreciation to date of \$ 628,763. Matures August 1, 2026. \$ 3,200,000

On February 13, 2013, the City entered into a cancelable lease for the fitness equipment. The equipment has been capitalized at cost in the in Governmental Activities for the original amount of \$ 255,448 with accumulated depreciation to date of \$ 19,159 March 1, 2016. \$ 191,133

On December 18, 2012, the City entered into a cancelable lease for the Police vehicles. The vehicles have been capitalized at cost in the in Governmental Activities for the original amount of \$ 215,000 with accumulated depreciation to date of \$ 41,629 July 5, 2015. \$ 43,324

Although the agreement provides for cancellation clauses each year, generally accepted accounting standards addresses the legal restriction imposed, and for financial statement presentation, requires the lease to be accounted for as a capital lease.

At December 31, 2013 future minimum lease payments by year and the present value of future minimum capital lease payments were as follows:

Year Ending December 31,	City Hall	Fitness Equipment	Police Cars
2014	\$ 306,981	\$ 86,794	\$ 73,408
2015	309,763	86,794	73,408
2016	312,413	21,698	-
2017	314,550	-	-
2018	310,970	-	-
2019-2023	1,563,350	-	-
2024-2026	1,247,000	-	-
	<hr/>	<hr/>	<hr/>
Total minimum lease payment	4,365,027	195,286	146,816
Less: amount representing interest	<u>(1,165,027)</u>	<u>(4,153)</u>	<u>(3,492)</u>
	<hr/>	<hr/>	<hr/>
Present value of future minimum lease payment	<u>\$ 3,200,000</u>	<u>\$ 191,133</u>	<u>\$ 143,324</u>

**CITY OF NIXA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2013

**NOTE F – CAPITALIZED LEASE OBLIGATION (Continued)**

**Business-type Activities**

**Sewer Fund**

On March 1, 2013, the City entered into a cancelable lease for the refunding 2006 lease for extension of the sewer system. Although the agreement provides for cancellation clauses each year, generally accepted accounting standards addresses the legal restriction imposed, and for financial statement presentation, requires the lease to be accounted for as a capital lease. Matures June 1, 2025.

\$ 1250,000

At December 31, 2013 future minimum lease payments by year and the present value of future minimum capital lease payments were as follows:

Year Ending December 31,	Total
2014	\$ 121,794
2015	124,844
2016	127,794
2017	125,694
2018	123,594
2019-2023	622,672
2024-2025	178,918
Total minimum lease payment	1,425,310
Less: amount representing interest	(175,310)
Present value of future minimum lease payment	\$ 1,250,000

**NOTE G – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage for property damage and various Missouri Official's bonds. Management believes coverage is sufficient to preclude any significant uninsured losses to the City.

**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE H – DEFINED BENEFIT PENSION PLAN**

Plan Description

The City of Nixa 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 governed by statute, section RSMo. 700.600-70.755. As such, it is the system’s responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and 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, PO Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Funding Status

Full-time employees of the City of Nixa contribute 4% of their gross pay to the pension plan. The June 30<sup>th</sup> statutorily required contribution rates are 10.9% (General) and 10.2% (Police) 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	\$ 480,170
Interest on net pension obligation	1,504
Adjustment to annual required contribution	<u>(1,483)</u>
Annual pension cost	480,191
Actual contributions	<u>477,289</u>
Increase (decrease) in NPO	2,902
NPO beginning of year	<u>20,750</u>
NPO end of year	<u><u>\$ 23,652</u></u>

**CITY OF NIXA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2013

**NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)**

The annual required contribution (ARC) was determined as part of the February 28, 2011 and February 29, 2012 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 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 year 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 a closed basis. The amortization period at February 28, 2011 was 20 years for the General division and 30 years for the Police division. The amortization period as of February 29, 2012 was 20 years for the General division and 20 years for the Police division.

Three-Year Trend Information

<u>Year Ended</u> <u>June 30</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2011	\$ 466,258	98.1%	\$ 16,394
2012	475,245	99.1%	20,750
2013	480,191	99.4%	23,652

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

(Unaudited)

	(a)	(b)	(b-a)		(c)	[(b-1)/c]
Actuarial Valuation <u>Date</u>	Actuarial Value <u>of Assets</u>	Entry Age Actuarial Accrued <u>Liability</u>	Unfunded Accrued Liability <u>(UAL)</u>	(a/b) Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	ULA as a Percentage of Covered <u>Payroll</u>
2/28/2011	\$ 5,524,540	\$ 7,602,657	\$ 2,078,117	73%	\$ 4,367,840	48%
2/29/2012	6,211,988	8,050,507	1,838,519	77%	4,336,660	42%
2/28/2013	7,098,630	8,571,962	1,473,332	83%	4,343,164	34%

**CITY OF NIXA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2013

**NOTE H – DEFINED BENEFIT PENSION PLAN (Continued)**

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

**NOTE I – GRANTS**

Intergovernmental awards received by the City are subject to audit and adjustment by the grantor agencies. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agencies. No disallowed costs have resulted from this audit and management believes that further examination will not result in any disallowed costs.

**NOTE J – CONTINGENCIES**

Litigation – Various claims and lawsuits are pending against the City. In the opinion of the City’s management, the potential loss on all claims and lawsuits will not be significant to the City’s financial statements.

**NOTE K – INTERFUND TRANSFERS**

Interfund transfers as follows were used for operations as set forth in the approved budget:

Operation transfers:	To	From
General Fund	\$ -	\$ 671,000
Park Fund	570,000	-
Building Inspection	101,000	-
	\$ 671,000	\$ 671,000

**CITY OF NIXA, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2013

**NOTE L – FEE IN LIEU OF TAXES**

The Water and Electric Fund pays 5% of sales to the General as follows:

Fee in Lieu of	<u>To</u>	<u>From</u>
General Fund	\$ 741,293	\$ -
Electric Fund	-	666,124
Water Fund	-	75,169
	<u>\$ 741,293</u>	<u>\$ 741,293</u>

**NOTE M – INTERFUND ADMINISTRATION FEE**

During the year, the following funds paid to the General Fund for administrative costs incurred by the General Fund relating to the operation of the following funds. The fee is shown in the General Fund as interfund reimbursements and as administrative fees in current expenses:

Administrative Fee	<u>To</u>	<u>From</u>
General Fund	\$ 1,239,132	\$ -
Street Fund	-	158,633
Electric Fund	-	404,612
Water Fund	-	352,958
Sewer Fund	-	322,929
	<u>\$ 1,239,132</u>	<u>\$ 1,239,132</u>

**NOTE N – BUILDERS DEPOSITS**

Builders deposits in the Street Fund consists of advances from developers for reimbursement to the City for their cost of improvements to streets adjacent to their projects. As the projects are completed the deferred revenue will be decreased and credited against the cost of the project.

**CITY OF NIXA, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE O – PRIOR YEARS’ DEBT DEFEASANCE**

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City’s government-wide financial statements and proprietary funds financial statements. As of December 31, 2013, the amount of defeased debt outstanding amounted to \$ 6,645,000.

**NOTE P – DEFEASED DEBT**

On February 27, 2013, the City issued (\$ 1,955,000) the 2013 Combined Waterworks and Sewerage System Refunding Revenue Bonds at an interest rate of 2.00% to 2.25% for refunding of the 2005 Refunding series. The bonds were issued at a premium of \$ 38,252 with a debt issuance cost of \$ 26,347. Net savings on the bonds were estimated as \$ 245,480.44

On March 1, 2013, the City issued (\$ 1,335,000) the 2013 Refunding Certificates of Participation at an interest rate of 2.00% to 2.75% for refunding of the 2006 COP Refunding series. The bonds were issued at a premium of \$ 8,187 with a debt issuance cost of \$ 23,970. Net savings on the bonds were estimated as \$ 169,606.91.

On December 5, 2013, the City issued (\$ 1,822,700) the 2013 General Obligation Refunding Bonds at an interest rate of 2.50% for refunding of the 2006 General Obligation Bonds. The bonds were issued at a premium of \$ 43,471 with a debt issuance cost of \$ 23,364. Net savings on the bonds were estimated as \$ 121,261.76.

**NOTE Q – TOWER LEASES**

The City leases space on the City’s water towers to various wireless providers for the placement of antennae. A total of \$ 130,476 was received during the year ended December 31, 2013 and is reported in the Water Fund. For the next five years, scheduled payments to receive are:

2014	\$ 135,000
2015	140,000
2016	146,000
2017	152,000
2018	158,000

**NOTE R – LAWSUIT SETTLEMENT**

The City received \$ 80,666 in restitution from a prior years settlement of a case involving funds stolen from the City. The \$ 500,000 legal settlement was for professional liability case involving rate calculations for the electric system.

**CITY OF NIXA, MISSOURI**  
**SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**MAJOR GOVERNMENTAL FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2013

REVENUES	General Fund			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Property taxes including penalties and interest	\$ 682,000	\$ 682,000	\$ 726,937	\$ 44,937
Franchise taxes	533,707	533,707	495,580	(38,127)
Sales taxes	2,070,000	2,070,000	2,096,903	26,903
Financial institutional tax	1,000	1,000	543	(457)
Licenses & permits	21,000	21,000	26,387	5,387
Charges for services-				
Sanitation	920,000	920,000	942,624	22,624
Fines & forfeitures	224,200	224,200	257,969	33,769
Interest	45,000	45,000	42,249	(2,751)
Grants	-	-	32,450	32,450
Impact fees	-	-	81,071	81,071
Miscellaneous	3,300	3,300	1,125	(2,175)
Interfund reimbursements	1,237,223	1,252,964	1,239,132	(13,832)
Total Revenues	<u>5,737,430</u>	<u>5,753,171</u>	<u>5,942,970</u>	<u>189,799</u>
 EXPENDITURES				
Current:				
General government	2,053,821	2,142,292	2,129,815	12,477
Police	2,146,750	2,181,030	2,186,938	(5,908)
Planning	164,173	164,173	164,173	-
Sanitation	843,906	843,906	843,906	-
Capital outlay	311,200	311,200	255,366	55,834
Debt service:				
Principal	456,000	456,000	456,676	(676)
Interest and fees	242,262	242,262	240,560	1,702
Total Expenditures	<u>6,218,112</u>	<u>6,340,863</u>	<u>6,277,434</u>	<u>63,429</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	 <u>(480,682)</u>	 <u>(587,692)</u>	 <u>(334,464)</u>	 <u>253,228</u>
 OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(671,000)	(671,000)	(671,000)	-
Loan proceeds	215,000	215,000	215,000	-
Fee in Lieu of Taxes	741,293	741,293	741,293	-
	<u>285,293</u>	<u>285,293</u>	<u>285,293</u>	<u>-</u>
 EXCESS OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND (USES)	 <u>\$ (195,389)</u>	 <u>\$ (302,399)</u>	 <u>(49,171)</u>	 <u>\$ 253,228</u>
 FUND BALANCES - BEGINNING			<u>4,917,070</u>	
 FUND BALANCES - ENDING			<u>\$ 4,867,899</u>	

**CITY OF NIXA, MISSOURI**  
**SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**MAJOR GOVERNMENTAL FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2013

REVENUES	Street Fund			
	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Sales tax	\$ 1,035,000	\$ 1,035,000	\$ 1,171,986	\$ 136,986
Missouri motor fuel taxes	675,000	675,000	690,083	15,083
Interest	30,000	30,000	26,689	(3,311)
Grants	1,052,948	1,052,948	-	(1,052,948)
Miscellaneous	-	-	3,983	3,983
Total Revenues	<u>2,792,948</u>	<u>2,792,948</u>	<u>1,892,741</u>	<u>(900,207)</u>
Current:				
Administration street department	1,489,176	1,468,866	1,345,507	123,359
Capital outlay	<u>3,002,375</u>	<u>3,169,802</u>	<u>733,948</u>	<u>2,435,854</u>
Total Expenditures	<u>4,491,551</u>	<u>4,638,668</u>	<u>2,079,455</u>	<u>2,559,213</u>
EXCESS OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND (USES)	<u>\$ (1,698,603)</u>	<u>\$ (1,845,720)</u>	(186,714)	<u>\$ 1,659,006</u>
OTHER FINANCING SOURCES				
Builders contribution to street project			48,576	
Restitution			<u>80,666</u>	
EXPENDITURES IN EXCESS OF REVENUES AND SOURCES			(57,472)	
FUND BALANCES - BEGINNING			<u>3,540,768</u>	
FUND BALANCES - ENDING			<u>\$ 3,483,296</u>	

**CITY OF NIXA, MISSOURI**  
**SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**MAJOR GOVERNMENTAL FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2013

REVENUES	Park Fund			
	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Charge for services	\$ 591,756	\$ 591,756	\$ 445,052	\$ (146,704)
Interest	4,000	4,000	5,048	1,048
Donations	-	-	7,923	7,923
Rent	20,000	20,000	15,088	(4,912)
Total Revenues	<u>615,756</u>	<u>615,756</u>	<u>473,111</u>	<u>(142,645)</u>
Current:				
Administration park department	973,280	998,070	991,749	6,321
Capital outlay	434,100	458,100	289,338	168,762
Debt service:				
Principal	90,875	61,206	61,965	(759)
Interest	7,200	3,092	3,131	(39)
Total Expenditures	<u>1,505,455</u>	<u>1,520,468</u>	<u>1,346,183</u>	<u>174,285</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(889,699)	(904,712)	(873,072)	31,640
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	57,000	570,000	570,000	-
Issuance of 2013 GO Refunding bonds	1,822,700	1,822,700	1,822,700	-
Refunding of 2001A Park Improvement bonds	(1,805,000)	(1,805,000)	(1,805,000)	-
Debt issuance costs	(17,700)	(17,700)	(17,700)	-
Loan proceeds for park equipment	281,000	253,098	253,098	-
EXCESS OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND (USES)	<u>\$ (551,699)</u>	<u>\$ (81,614)</u>	(49,974)	<u>\$ 31,640</u>
FUND BALANCES - BEGINNING			<u>386,762</u>	
FUND BALANCES - ENDING			<u>\$ 336,788</u>	