

CITY OF WILLARD, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Willard, Missouri, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, business-type activities, and each major fund of the City of Willard, Missouri, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, pension information and budgetary comparison information 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2016, on our consideration of the City of Willard, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Willard, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
May 11, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2015

The Management's Discussion and Analysis of the City of Willard's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the City's financial statements, which begin on page 15.

Financial Highlights

- The net position of the City's governmental activities increased by \$90,717 as a result of current year activities. The net position of the City's business-type activities decreased by \$105,694 for the year.
- The assets and deferred outflows of the City exceeded its liabilities as of December 31, 2015, by \$9,376,244 (net position). Of this amount \$3,903,508 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$512,767.

Using This Report

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

Government-Wide Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2015

Government-Wide Financial Statements (continued)

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

- **Governmental Activities** – Most of the City's basic services are reported here. Taxes are the primary sources of financing for these activities.
- **Business-Type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer services are provided here.

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds and not the City as a whole. However, the Board of Aldermen establishes funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

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

Notes to the Basic Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2015

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of December 31, 2015, and December 31, 2014, as restated:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total December 31, 2015</u>	<u>Total December 31, 2014</u>
Assets				
Current and other assets	\$ 1,184,262	\$ 2,935,157	\$ 4,119,419	\$ 3,998,868
Capital assets	5,506,985	6,081,277	11,588,262	11,854,499
Net pension asset	111,295	65,168	176,463	240,831
	<u>6,802,542</u>	<u>9,081,602</u>	<u>15,884,144</u>	<u>16,094,198</u>
Deferred Outflow of Resources				
Deferred pension outflows	54,242	40,785	95,027	42,788
Liabilities				
Other liabilities	251,384	473,732	725,116	355,187
Long-term liabilities	3,878,983	1,998,828	5,877,811	6,390,578
	<u>4,130,367</u>	<u>2,472,560</u>	<u>6,602,927</u>	<u>6,745,765</u>
Net position				
Net investment in capital assets	1,456,102	3,941,277	5,397,379	5,463,921
Restricted	75,357	-	75,357	322,002
Unrestricted	1,194,958	2,708,550	3,903,508	3,605,298
	<u>\$ 2,726,417</u>	<u>\$ 6,649,827</u>	<u>\$ 9,376,244</u>	<u>\$ 9,391,221</u>

Total net position of the City decreased by \$14,977 for the year due to current year activity. Total liabilities for the City have decreased by \$142,838. Restricted net position of the City totaled \$75,357 as of December 31, 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2015

CHANGES IN NET POSITION

Please note only one year is presented as the City converted from the modified cash basis to the accrual basis of accounting in the current year.

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2015
REVENUES			
Program Revenues			
Charges for services	\$ 556,839	\$ 2,395,438	\$ 2,952,277
Operating grants and contributions	16,400	-	16,400
Capital grants and contributions	37,448	-	37,448
General Revenues			
Property taxes	235,121	-	235,121
Sales taxes	1,317,881	-	1,317,881
Motor vehicle and gas taxes	207,429	-	207,429
Franchise fees	313,805	-	313,805
Interest	1,113	1,960	3,073
Other revenue	34,940	-	34,940
TOTAL REVENUES	2,720,976	2,397,398	5,118,374
EXPENSES			
Administrative	244,492	-	244,492
Public Safety	751,785	-	751,785
Streets	181,418	-	181,418
Planning and development	56,264	-	56,264
Emergency management	18,476	-	18,476
Parks and recreation	764,072	-	764,072
Debt service	613,752	-	613,752
Water and sewer	-	2,503,092	2,503,092
TOTAL EXPENSES	2,630,259	2,503,092	5,133,351
INCREASE (DECREASE)			
IN NET POSITION	\$ 90,717	\$ (105,694)	\$ (14,977)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2015**

Governmental Activities

Governmental activities increased the net position of the City by \$90,717. Tax revenues for the City were \$2,074,236, which represents 76% of the funding of these activities. Program and other revenues for the functions totaled \$610,687, or 22% of the funding. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

**NET COST OF THE CITY OF WILLARD'S
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services	Net Cost of Services
Administrative	\$ 244,492	\$ 152,179
Public safety	751,785	685,686
Streets	181,418	155,433
Planning and development	56,264	21,983
Emergency management	18,476	8,377
Parks and recreation	764,072	382,162
Debt service	613,752	613,752
	\$ 2,630,259	\$ 2,019,572

Business-Type Activities

Business-type activities decreased the City's net position by \$105,694.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2015, were \$1,128,427. The General Fund increased by \$215,064. The Park Fund decreased by \$154,278.

General Fund Budgetary Highlights

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

- The original revenue budget of \$1,567,450 was increased to \$1,744,200.
- The original expenditures budget of \$1,536,391 was increased to \$1,560,741.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2015**

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$5,506,985 (net of accumulated depreciation) as of December 31, 2015. This represents a \$4,031 decrease from the prior year. Capital assets for business-type activities were \$6,081,277 (net of accumulated depreciation) as of December 31, 2015. This represents a decrease of \$262,206.

Debt

Total debt of the governmental activities as of December 31, 2015, was \$4,070,918, which is down from \$4,091,833 in the prior year.

Total debt of the business-type activities as of December 31, 2015, was \$2,143,828, which is down from \$2,298,745 in the prior year.

Economic Factors and Next Year's Budget

The goals and priorities for the Fiscal 2016 budget were determined by discussions with department directors, the City Administrator, the Mayor and Board Members. The major item of discussion was the ongoing growth of the City and how to address it through infrastructure planning for future growth in the community.

- New commercial and residential development continues to occur in the community. New development includes:
 - The new addition to Northbrook Apartments with a complex with 16 units.
 - The building of a 6000 sq. ft. automotive shop for Glenn's Automotive.
 - The Robertson Estates subdivision that includes 9 lots on 20 acres.
 - The Jack Minnick subdivision that is 5 lots.
- A street improvement plan to improve City sidewalks.
- The plan to annex right of ways to expand the Willard city limits.
- The comprehensive plan update is in progress, which will be completed at the end of 2016.

Capital improvements approved include significant upgrades to the lift stations; upgrades to internet and computer network systems; front office security upgrade; GIS and GPS; computers and upgrade to comprehensive plan for the City.

The operational budget included crack sealing streets and repairs to Lanston Street and New Melville Road. Public improvement development plan for Hughes Street and Miller Street to be continued on into 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2015

Economic Factors and Next Year's Budget (continued)

Although growth was taken into account, a conservative approach was used to estimate the revenues for 2016. Revenues were based on the following factors: review of revenue history; economic trends; and fee increases for services provided by the City.

The City also accounted for increases in salaries, health insurance, and retirement. The average salary increase was 3% with incentives added for positions with additional duties. The health insurance increased 1.70%. The LAGERS pension was changed from an L3 level to an L7 level plan. This was a 3% additional increase in rates paid by the City. Property and liability insurance increases were estimated at 2% and worker's compensation were estimated at a 1% increase.

The Parks Fund will transfer to the Water/Sewer Fund \$55,000 to pay on the \$321,228 debt owed from funds loaned from the Water and Sewer Fund in 2008. The Water and Sewer Fund can use up to \$1,000,000 in reserve funds to capitalize capital improvement projects.

The City maintains a cumulative reserve fund to provide counter-cyclical balance, to protect the City from unforeseen contingencies and to allow resources to finance projected general government capital projects. The City is to maintain an unreserved fund balance of 30% (three and ½ months) of operating expenditures in the General Fund, the Parks Fund, and the Water and Sewer Fund commensurate with maintaining core services and personnel levels as specified by budgeted expenses.

The goal of the City is to have a systematic plan in place so the City will be prepared for future growth and be able to provide services at a reasonable cost.

Contacting the City's Financial Management

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

City of Willard
224 W. Jackson
Willard, MO 65781
(417) 742-3033

Corey Hendrickson, Mayor
J. Everett Mitchell, City Administrator
Carolyn Halverson, Chief Financial Officer
Jennifer Rowe, City Clerk

CITY OF WILLARD, MISSOURI
STATEMENT OF NET POSITION
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 899,704	\$ 2,206,967	\$ 3,106,671
Investments	76,886	-	76,886
Other receivable	2,163	1,133	3,296
Taxes receivable	373,959	-	373,959
Utilities receivable, net	-	179,687	179,687
Court fines receivable	6,674	-	6,674
Intergovernmental receivable	11,745	-	11,745
Interfund balances	(321,228)	321,228	-
Prepaid expenses	58,481	35,843	94,324
Noncurrent			
Restricted cash and cash equivalents	75,878	190,299	266,177
Net pension asset	111,295	65,168	176,463
Capital Assets:			
Non-depreciable	466,477	205,895	672,372
Depreciable, net	5,040,508	5,875,382	10,915,890
TOTAL ASSETS	6,802,542	9,081,602	15,884,144
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	54,242	40,785	95,027
LIABILITIES			
Current			
Accounts payable	9,182	87,189	96,371
Accrued expenses	39,458	22,265	61,723
Deposits payable	259	190,299	190,558
Court bonds payable	262	-	262
Accrued interest payable	10,288	28,979	39,267
Current portion of long-term debt	191,935	145,000	336,935
	251,384	473,732	725,116
Noncurrent			
Compensated absences payable	20,035	3,828	23,863
Certificates of participation payable	3,858,948	1,995,000	5,853,948
	3,878,983	1,998,828	5,877,811
TOTAL LIABILITIES	4,130,367	2,472,560	6,602,927
NET POSITION			
Net investment in capital assets	1,456,102	3,941,277	5,397,379
Restricted	75,357	-	75,357
Unrestricted	1,194,958	2,708,550	3,903,508
TOTAL NET POSITION	\$ 2,726,417	\$ 6,649,827	\$ 9,376,244

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Administrative	\$ (244,492)	\$ 80,105	\$ 745	\$ 11,463	\$ (152,179)	\$ -	\$ (152,179)
Public safety	(751,785)	62,543	3,556	-	(685,686)	-	(685,686)
Streets	(181,418)	-	-	25,985	(155,433)	-	(155,433)
Planning and development	(56,264)	32,281	2,000	-	(21,983)	-	(21,983)
Emergency management	(18,476)	-	10,099	-	(8,377)	-	(8,377)
Parks and recreation	(764,072)	381,910	-	-	(382,162)	-	(382,162)
Debt service	(613,752)	-	-	-	(613,752)	-	(613,752)
TOTAL GOVERNMENTAL ACTIVITIES	(2,630,259)	556,839	16,400	37,448	(2,019,572)	-	(2,019,572)
Business-Type Activities							
Water and sewer	(2,503,092)	2,395,438	-	-	-	(107,654)	(107,654)
TOTAL BUSINESS-TYPE ACTIVITIES	(2,503,092)	2,395,438	-	-	-	(107,654)	(107,654)
TOTAL GOVERNMENT	\$ (5,133,351)	\$ 2,952,277	\$ 16,400	\$ 37,448	(2,019,572)	(107,654)	(2,127,226)
General Revenues:							
Property taxes					235,121	-	235,121
Sales taxes					1,317,881	-	1,317,881
Franchise taxes					313,805	-	313,805
Motor vehicle taxes					207,429	-	207,429
Interest					1,113	1,960	3,073
Other receipts					34,940	-	34,940
Total General Revenues					2,110,289	1,960	2,112,249
Changes in Net Position					90,717	(105,694)	(14,977)
NET POSITION, Beginning of year, as restated					2,635,700	6,755,521	9,391,221
NET POSITION, End of year					<u>\$ 2,726,417</u>	<u>\$ 6,649,827</u>	<u>\$ 9,376,244</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u>General Fund</u>	<u>Park Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents - unrestricted	\$ 826,506	\$ 73,198	\$ 899,704
Investments - unrestricted	76,886	-	76,886
Taxes receivable	288,574	85,385	373,959
Intergovernmental receivable	11,745	-	11,745
Court fines receivable, net	6,674	-	6,674
Other receivable	2,100	63	2,163
Prepaid expenses	31,127	27,354	58,481
Restricted cash and cash equivalents	69,034	6,844	75,878
TOTAL ASSETS	<u>\$ 1,312,646</u>	<u>\$ 192,844</u>	<u>\$ 1,505,490</u>
LIABILITIES			
Liabilities			
Accounts payable	\$ 6,341	\$ 2,841	\$ 9,182
Accrued expenses	28,704	10,754	39,458
Court bonds payable	262	-	262
Deposits payable	-	259	259
Due to other funds	-	321,228	321,228
TOTAL LIABILITIES	<u>35,307</u>	<u>335,082</u>	<u>370,389</u>
DEFERRED INFLOW OF RESOURCES			
Deferred court fines	6,674	-	6,674
FUND BALANCES			
Nonspendable:			
Prepaid items	31,127	27,354	58,481
Restricted for:			
Debt service	-	5,413	5,413
Judicial facility fund	5,064	-	5,064
Judicial education fund	219	-	219
Police forfeiture funds	656	-	656
Capital improvements	62,833	-	62,833
Park project donations	-	100	100
Youth scholarships	-	1,072	1,072
Unassigned	1,170,766	(176,177)	994,589
TOTAL FUND BALANCES (DEFICITS)	<u>1,270,665</u>	<u>(142,238)</u>	<u>1,128,427</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 1,312,646</u>	<u>\$ 192,844</u>	<u>\$ 1,505,490</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET POSITION
 December 31, 2015

Fund balance - total governmental funds	\$ 1,128,427
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	7,823,758
Less accumulated depreciation	<u>(2,316,773)</u>
	5,506,985
The net pension asset and deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension asset	111,295
Deferred outflows due to pensions	<u>54,242</u>
	165,537
Adjustment of deferred court fines	6,674
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(10,288)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(4,070,918)</u>
Net Position of Governmental Activities	<u>\$ 2,726,417</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended December 31, 2015

	General Fund	Special Revenue Fund Park Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,566,629	\$ 507,607	\$ 2,074,236
Licenses and permits	36,001	-	36,001
Intergovernmental revenues	53,103	-	53,103
Charges for services	76,385	381,910	458,295
Fines and forfeitures	64,419	-	64,419
Miscellaneous	10,041	26,757	36,798
TOTAL REVENUES	1,806,578	916,274	2,722,852
EXPENDITURES			
Current			
Administrative	229,469	-	229,469
Public safety	760,405	-	760,405
Streets	278,623	-	278,623
Planning and development	52,639	-	52,639
Emergency management	18,476	-	18,476
Parks and recreation	-	684,949	684,949
Debt service			
Principal and interest	-	4,672,927	4,672,927
TOTAL EXPENDITURES	1,339,612	5,357,876	6,697,488
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	466,966	(4,441,602)	(3,974,636)
OTHER FINANCING SOURCES (USES)			
Certificates of participation proceeds	-	3,995,000	3,995,000
Certificates of participation premium	-	40,422	40,422
Operating transfers in (out)	(251,902)	251,902	-
TOTAL OTHER FINANCING SOURCES (USES)	(251,902)	4,287,324	4,035,422
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	215,064	(154,278)	60,786
FUND BALANCE, January 1, as restated	1,055,601	12,040	1,067,641
FUND BALANCE (DEFICIT), December 31	\$ 1,270,665	\$ (142,238)	\$ 1,128,427

See accompanying notes.

CITY OF WILLARD, MISSOURI
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended December 31, 2015

Net change in fund balances - total governmental funds \$ 60,786

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

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

Capital outlay	193,486
Depreciation	(197,517)
	<u>(4,031)</u>

Some revenues reported in the governmental funds represent current financial resources and were recognized in the statement of activities when earned.	(1,876)
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Some expenditures reported in the governmental funds represent the use of current financial resources and were recognized in the Statement of Activities when incurred.	(4,581)
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The issuance of long-term debt provides current financial resources to
governmental funds. The repayment of the principal of long-term debt
is a use of current financial resources of governmental funds. In the
Statement of Activities, interest is accrued on outstanding bonds, whereas
in the governmental funds, an interest expenditure is reported when due.
The following is the detail of the net effect of these differences.

Repayment of principal on leases and loans	4,066,060
Certificate of Participation proceeds	(3,995,000)
Certificate of Participation premium	(40,422)
Accrued interest payable	9,781
	<u>40,419</u>

Change in net position of governmental activities	<u>\$ 90,717</u>
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See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND
December 31, 2015

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,206,967
Other receivables	1,133
Utilities receivable, net	179,687
Due from other funds	321,228
Prepaid expenses	<u>35,843</u>
TOTAL CURRENT ASSETS	2,744,858
Restricted Assets	
Cash and cash equivalents	<u>190,299</u>
TOTAL RESTRICTED ASSETS	190,299
Property, Plant and Equipment,	
Non-depreciable	205,895
Depreciable	10,321,500
Accumulated depreciation	<u>(4,446,118)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	6,081,277
Net Pension Asset	<u>65,168</u>
TOTAL ASSETS	9,081,602
DEFERRED OUTFLOW OF RESOURCES	
Deferred pension outflows	<u>40,785</u>
LIABILITIES	
Current Liabilities	
Accounts payable	87,189
Accrued expenses	22,265
Accrued interest payable	28,979
Utility deposits	190,299
Current maturities of long-term debt	<u>145,000</u>
TOTAL CURRENT LIABILITIES	473,732
Long-Term Liabilities	
Compensated absences payable	3,828
Certificates of participation payable	<u>1,995,000</u>
TOTAL LONG-TERM LIABILITIES	<u>1,998,828</u>
TOTAL LIABILITIES	<u>2,472,560</u>
NET POSITION	
Net investment in capital assets	3,941,277
Unrestricted	<u>2,708,550</u>
TOTAL NET POSITION	<u>\$ 6,649,827</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND
Year Ended December 31, 2015

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	<u>\$ 2,395,438</u>
TOTAL OPERATING REVENUES	2,395,438
OPERATING EXPENSES	
Water Services	
Wages and benefits	349,328
Professional services	30,347
Utilities	115,224
Insurance	23,992
Supplies	171,619
Travel, meetings & dues	11,039
Vehicle expense	14,049
Repairs and maintenance	27,834
Depreciation	135,156
Rent	3,000
Advertising	441
Sewer Services	
Wages and benefits	325,207
Professional services	63,605
Sewer charges	454,822
Utilities	65,697
Insurance	22,968
Supplies	162,798
Travel, meetings & dues	11,013
Vehicle expense	15,014
Repairs and maintenance	73,864
Depreciation	127,050
Rent	3,000
Advertising	372
Trash Services	
Trash	<u>216,882</u>
TOTAL OPERATING EXPENSES	<u>2,424,321</u>
OPERATING (LOSS)	(28,883)
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,960
Interest expense	<u>(78,771)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(76,811)</u>
NET (LOSS)	(105,694)
NET POSITION, January 1, as restated	<u>6,755,521</u>
NET POSITION, December 31	<u>\$ 6,649,827</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended December 31, 2015

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,415,173
Cash paid to suppliers	(1,468,351)
Cash paid to employees	<u>(657,828)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	288,994
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Loans (to) other funds	(13,056)
Loans from other funds	<u>50,000</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	36,944
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment of principal on debt	(155,000)
Payment of interest expense	<u>(55,800)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(210,800)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1,960</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,960</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	117,098
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,280,168</u>
CASH AND CASH EQUIVALENTS, End of year	2,397,266
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>190,299</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 2,206,967</u></u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating (loss)	\$ (28,883)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	262,206
(Increase) decrease in:	
Utilities receivable	10,728
Other receivables	(1,133)
Prepaid expenses	(499)
Net pension asset	36,799
Deferred pension outflows	(19,528)
Increase (decrease) in:	
Accounts payable	19,728
Accrued expenses	(647)
Meter deposits payable	10,140
Compensated absences payable	83
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 288,994</u></u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Willard, Missouri, (the City) operates under a Mayor - Board of Aldermen form of government and provides the following services: public safety, streets, parks and recreation, planning and development, emergency management, and general administrative services. Other services include water, sewer, and trash operations.

The accounting policies of the City conform to principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Financial Reporting Entity

The City of Willard, Missouri, is a primary government that is governed by an elected Board of Aldermen. As required by accounting principles generally accepted in the United States of America, the City has evaluated the criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that no other outside entity meets the criteria and, therefore, no other entity has been included as a component unit in the City's basic financial statements. In addition, the City is not aware of any entity for which the City would be considered as a component unit of that entity.

Basis of Presentation

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

FUND FINANCIAL STATEMENTS

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

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

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds.

Park Fund: The Park Fund is used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for parks and recreation.

The City reports the following major proprietary funds:

Water and Sewer Fund: The Water and Sewer Fund is used to account for the activities and capital improvements of the City's water and sewer operations.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. In conformity with GASB 34, infrastructure, such as streets and storm sewers, has been capitalized. Additionally, the City elected not to go back 20 years and record estimated costs of streets less depreciation but began recording and depreciating its infrastructure assets in 2004. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Land improvements	20 years
Buildings and improvements	50 years
Major moveable equipment	5 to 15 years
Infrastructure	50 years
Water and sewer systems	20 to 50 years

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

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. For purposes of the statement of cash flows, cash equivalents are deposits available on demand or with an original maturity of less than three months at the time of purchase.

Compensated Absences

Employees earn vacation time based on their years of service to the City. Outstanding vacation leave is payable upon termination of employment. Compensated absences are recorded as a liability in the Statement of Net Position.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing capital assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Governmental Accounting Standards Board (GASB) Statement Section 1400-120-137 – *Capitalization of Interest Cost*. There was no interest capitalized during the current fiscal period.

Revenue Recognition – Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

Fund Balance Classification

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Aldermen – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment.

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

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

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

The Board of Alderman has formally adopted a minimum fund balance policy of 30% (3½ months) of operating expenditures in the General Fund.

Net Position

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

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

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

Unrestricted net position – Consists of the financial position that does not meet the definition of “restricted”.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. These include 1) charges for city court fines, licenses and permits, planning and zoning services, parks and recreation services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental revenues are reported as general. All taxes are classified as general revenues, even if restricted for a specific purpose.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the City has one item that qualifies for reporting in this category, deferred amounts relating to employer contributions to the retirement plan.

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City has one item that qualifies for reporting in this category, deferred amounts relating to court fines on the Balance Sheet. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Pensions

For purposes of measuring the net pension asset, deferred outflow of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncement

The Government Accounting Standards Board (GASB) issued Statement No. 68 – Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date, for reporting periods beginning after June 15, 2014. The statement establishes standards for measuring and recognizing assets and liabilities, deferred inflow and outflow of resources, and expenses relating to pensions, note disclosures, and required supplementary information. The City adopted GASB Statement Nos. 68 and 71 for the year ended December 31, 2015.

Certain January 1, 2015, amounts have been reclassified to the December 31, 2015, presentation.

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City’s deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2015, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City of Willard, Missouri, as of December 31, 2015, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	8/17/2016 - 12/26/2016	<u>\$ 76,886</u>

Certificates of Deposit

Certificates of Deposit with maturities in excess of three months are classified as investments but are considered deposits for custodial risk determination. State statutes require that the City’s deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2015, all Certificates of Deposit are entirely insured or collateralized with securities.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE C – INVESTMENTS (continued)

Custodial Risk

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments. The City’s Certificates of Deposit are entirely insured or collateralized by a trust department of a bank that does not hold the collateralized deposits.

Interest Rate Risk

The City has no formal policy on interest rate risk.

NOTE D – RESTRICTED ASSETS

Cash and cash equivalents, fund balance, and net position have been restricted as follows:

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Fund Balance/ Net Position</u>
GENERAL FUND		
Court bonds	\$ 262	\$ -
Judicial facility fund	5,064	5,064
Judicial education fund	219	219
Police forfeiture funds	656	656
Capital improvement sales tax	62,833	62,833
	<u>\$ 69,034</u>	<u>\$ 68,772</u>
PARK FUND		
2015 Refunding Certificates of Participation		
Project fund	\$ 5,413	\$ 5,413
Park project donations	100	100
Youth scholarships	1,072	1,072
Park deposits	259	-
	<u>\$ 6,844</u>	<u>\$ 6,585</u>
WATER AND SEWER FUND		
Customer utility deposits	<u>\$ 190,299</u>	<u>\$ -</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE E – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable December 31. The county collects the property taxes and remits them to the City.

The assessed valuation of the tangible property and the tax levies per \$100 assessed valuation of that property were as follows:

	<u>2015</u>
Assessed Valuation	
Real estate	\$ 47,339,686
Personal property	<u>9,649,879</u>
TOTAL	<u>\$ 56,989,565</u>
Tax Rates Per \$100 of Assessed Valuation	
General Fund	\$.3899
Park Fund	<u>.1193</u>
TOTAL	<u>\$.5092</u>

The legal debt margin at December 31, 2015, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 5,698,957	\$ 5,698,957	\$ 11,397,914
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 5,698,957</u>	<u>\$ 5,698,957</u>	<u>\$ 11,397,914</u>

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

(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights of way, constructing, extending, and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE F – ACCOUNTS RECEIVABLE

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

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 17,674</u>	<u>\$ (11,000)</u>	<u>\$ 6,674</u>
UTILITIES RECEIVABLE			
Water and Sewer Fund	<u>\$ 266,380</u>	<u>\$ (86,693)</u>	<u>\$ 179,687</u>

NOTE G – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities for governmental activities at December 31, 2015, consists of the 2015 Refunding Certificates of Participation, a capital lease obligation, and compensated absences.

Certificates of Participation

On June 1, 2015, the City issued \$3,995,000 in Series 2015 Refunding Certificates of Participation for the purpose of refunding the 2006 and 2008 Certificates of Participation, which were originally issued for acquiring, constructing, and installing certain additions to the City’s parks and recreation system, being in particular a new aquatics facility for the City. The Certificates of Participation bear interest from 2.0% to 3.5% with principal payments due May 15 and interest payments due May 15 and November 15 each year. The annual debt service requirements to amortize the principal on the Certificates of Participation outstanding at December 31, 2015, are as follows:

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

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

Year Ended December 31,	Principal	Interest	Total
2016	\$ 175,000	\$ 120,057	\$ 295,057
2017	180,000	116,507	296,507
2018	185,000	111,932	296,932
2019	195,000	106,231	301,231
2020	195,000	100,381	295,381
2021	200,000	94,456	294,456
2022	205,000	88,381	293,381
2023	230,000	81,856	311,856
2024	235,000	74,881	309,881
2025	245,000	67,681	312,681
2026	250,000	60,256	310,256
2027	260,000	52,476	312,476
2028	265,000	44,140	309,140
2029	280,000	35,214	315,214
2030	285,000	25,784	310,784
2031	300,000	15,913	315,913
2032	310,000	5,425	315,425
	<u>\$ 3,995,000</u>	<u>\$ 1,201,571</u>	<u>\$ 5,196,571</u>

Capital Lease Obligation

On June 21, 2013, the City entered into a cancelable lease purchase agreement with Great Southern Bank to finance the purchase of three police vehicles for \$75,000. The lease agreement requires annual payments in June of each year including interest of 1.62%.

The City’s lease/purchase agreement provides for cancellation of the lease at the City’s option on the renewal date each year, per State statute; however, the City does not foresee exercising its option to cancel. Therefore, this lease is accounted for as a noncancellable capital lease in accordance with Governmental Accounting Standards Board (GASB) Section L20, “Leases”.

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

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

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	<u>\$ 16,935</u>	<u>\$ 276</u>	<u>\$ 17,211</u>

The following table is a summary of the changes in the long-term liabilities of the governmental activities:

	<u>Balance</u> <u>December 31,</u> <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31,</u> <u>2015</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Certificates of Participation					
2008 Certificates of Participation	\$ 2,945,000	\$ -	\$ 2,945,000	\$ -	\$ -
2006 Certificates of Participation	1,070,000	-	1,070,000	-	-
2015 Refunding Certificates of Participation	-	3,995,000	-	3,995,000	175,000
	<u>4,015,000</u>	<u>3,995,000</u>	<u>4,015,000</u>	<u>3,995,000</u>	<u>175,000</u>
Premium on Certificates of Participation	-	40,422	1,474	38,948	-
	<u>4,015,000</u>	<u>4,035,422</u>	<u>4,016,474</u>	<u>4,033,948</u>	<u>175,000</u>
Capital improvements loan	32,920	-	32,920	-	-
Capital lease obligation	33,601	-	16,666	16,935	16,935
Compensated absences	10,312	9,723	-	20,035	-
	<u>\$ 4,091,833</u>	<u>\$ 4,045,145</u>	<u>\$ 4,066,060</u>	<u>\$ 4,070,918</u>	<u>\$ 191,935</u>

NOTE H – LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES

Long-term liabilities for business-type activities at December 31, 2015, consists of the 2014 Refunding Certificates of Participation and compensated absences.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE H – LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES (continued)

On November 4, 2014, the City issued \$2,295,000 in Series 2014 Refunding Certificates of Participation for the purpose of providing funds to refinance the Series 2005 Certificates of Participation and 2008 Certificates of Participation. The certificates bear interest of 3.25%. Interest payments are due semi-annually on February 1 and August 1 of each year with annual principal payments due February 1 of each year. Annual debt service requirements to amortize the principal on the Certificates of Participation outstanding at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$ 145,000	\$ 67,194	\$ 212,194
2017	145,000	62,481	207,481
2018	140,000	57,850	197,850
2019	150,000	53,138	203,138
2020	155,000	48,181	203,181
2021	155,000	43,144	198,144
2022	165,000	37,944	202,944
2023	165,000	32,581	197,581
2024	175,000	27,056	202,056
2025	180,000	21,287	201,287
2026	185,000	15,356	200,356
2027	190,000	9,263	199,263
2028	190,000	3,088	193,088
	<u>\$ 2,140,000</u>	<u>\$ 478,563</u>	<u>\$ 2,618,563</u>

The following table is a summary of the changes in the long-term liabilities of the business-type activities:

	Balance December 31, 2014	Additions	Retirements	Balance December 31, 2015	Amounts Due Within One Year
2014 Refunding Certificates of Participation	\$ 2,295,000	\$ -	\$ 155,000	\$ 2,140,000	\$ 145,000
Compensated absences	3,745	83	-	3,828	-
	<u>\$ 2,298,745</u>	<u>\$ 83</u>	<u>\$ 155,000</u>	<u>\$ 2,143,828</u>	<u>\$ 145,000</u>

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE I – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance December 31, 2014	Additions	Deletions	Balance December 31, 2015
GOVERNMENTAL ACTIVITIES				
Non-depreciable Capital Assets				
Land	\$ 452,032	\$ -	\$ -	\$ 452,032
Construction in progress	-	14,445	-	14,445
Total Non-depreciable Capital Assets	452,032	<u>\$ 14,445</u>	<u>\$ -</u>	466,477
Depreciable Capital Assets				
Land improvements	764,660	\$ -	\$ -	764,660
Building and improvements	4,814,078	-	-	4,814,078
Major moveable equipment	1,360,035	67,930	-	1,427,965
Infrastructure	239,467	111,111	-	350,578
Total Depreciable Capital Assets	7,178,240	<u>\$ 179,041</u>	<u>\$ -</u>	7,357,281
Less Accumulated Depreciation				
Land improvements	330,817	\$ 21,051	\$ -	351,868
Building and improvements	898,419	96,281	-	994,700
Major moveable equipment	889,827	75,396	-	965,223
Infrastructure	193	4,789	-	4,982
Total Accumulated Depreciation	2,119,256	<u>\$ 197,517</u>	<u>\$ -</u>	2,316,773
Total Depreciable Capital Assets, net	<u>5,058,984</u>			<u>5,040,508</u>
Total Governmental Activities Capital Assets, net	<u>\$ 5,511,016</u>			<u>\$ 5,506,985</u>

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

Administrative	\$ 13,046
Public Safety	44,626
Recreation	112,891
Street	26,954
	<u>\$ 197,517</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE I – CAPITAL ASSETS (continued)

BUSINESS-TYPE ACTIVITIES	Balance December 31, 2014	Additions	Deletions	Balance December 31, 2015
Water and Sewer Fund				
Non-depreciable Capital Assets				
Land	\$ 205,895	\$ -	\$ -	205,895
Total Non-depreciable Capital Assets	205,895	\$ -	\$ -	205,895
Depreciable Capital Assets				
Sewer system	5,123,393	\$ -	\$ -	5,123,393
Water system	4,528,225	-	-	4,528,225
Major moveable equipment	669,882	-	-	669,882
Total Depreciable Capital Assets	10,321,500	\$ -	\$ -	10,321,500
Less Accumulated Depreciation				
Sewer system	2,239,045	\$ 103,594	\$ -	2,342,639
Water system	1,402,876	111,699	-	1,514,575
Major moveable equipment	541,991	46,913	-	588,904
Total Accumulated Depreciation	4,183,912	\$ 262,206	\$ -	4,446,118
Total Depreciable Capital Assets, net	6,137,588			5,875,382
Total Business-Type Activities Capital Assets, net	\$ 6,343,483			\$ 6,081,277

Depreciation expense for business-type activities was charged as follows:

Water	\$ 135,156
Sewer	127,050
	<u>\$ 262,206</u>

NOTE J – EMPLOYEE PENSION PLAN

General Information about the Pension Plan

Plan Description. The City’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755.

NOTE J – EMPLOYEE PENSION PLAN

As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police) and receive a reduced allowance.

	<u>2015 Valuation</u>
Benefit Multiplier	1.25% for life
Final Average Salary	5 Years
Member Contributions	4%

Benefit terms provide for annual post retirement adjustments to each member’s retirement allowance subsequent to the member’s retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms. At June 30, 2015, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	6	-	6
Inactive employees entitled to but not yet receiving benefits	8	13	21
Active employees	<u>23</u>	<u>10</u>	<u>33</u>
	<u>37</u>	<u>23</u>	<u>60</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 4% of their gross pay to the pension plan. Employer contribution rates are 4.1% (General) and 3.6% (Police) of annual covered payroll.

NOTE J – EMPLOYEE PENSION PLAN (continued)

Net Pension Asset. The employer’s net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2015.

Actuarial Assumptions. The total pension liability in the February 28, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation; 3.0% price inflation
Salary Increase	3.5% to 6.8% including wage inflation
Investment rate of return	7.25%, net of investment and administrative expenses

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in the February 28, 2015, valuation were based on the results of an actuarial experience study for the period March 1, 2005, through February 28, 2010.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

Discount Rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE J – EMPLOYEE PENSION PLAN (continued)

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
<i>General Division</i>			
Balances at June 30, 2014	\$ 700,482	\$ 848,260	\$ (147,778)
Changes for the year:			
Service Cost	63,502	-	63,502
Interest	52,476	-	52,476
Difference between expected and actual experiences	9,722	-	9,722
Contributions - employer	-	32,652	(32,652)
Contributions - employee	-	30,803	(30,803)
Net investment income	-	18,324	(18,324)
Benefits paid, including refunds	(16,022)	(16,022)	-
Administrative expenses	-	(2,889)	2,889
Other changes	-	(6,521)	6,521
Net Changes	109,678	56,347	53,331
Balances at June 30, 2015	810,160	904,607	(94,447)
<i>Police Division</i>			
Balances at June 30, 2014	349,713	442,766	(93,053)
Changes for the year:			
Service Cost	24,936	-	24,936
Interest	26,242	-	26,242
Difference between expected and actual experiences	13,017	-	13,017
Contributions - employer	-	12,606	(12,606)
Contributions - employee	-	12,537	(12,537)
Net investment income	-	8,980	(8,980)
Administrative expenses	-	(1,491)	1,491
Other changes	-	20,526	(20,526)
Net Changes	64,195	53,158	11,037
Balances at June 30, 2015	413,908	495,924	(82,016)
Total Plan Balances at June 30, 2015	\$ 1,224,068	\$ 1,400,531	\$ (176,463)

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE J – EMPLOYEE PENSION PLAN (continued)

The Net Pension Asset is allocated as follows:

Governmental Activities	\$ (111,295)
Business-Type Activities	(65,168)
	<u>\$ (176,463)</u>

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following present the Net Pension Asset of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Asset would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 934,940	\$ 810,160	\$ 707,619
Fiduciary Net Position	904,607	904,607	904,607
Net Pension Liability (Asset)	30,333	(94,447)	(196,988)
<i>Police Division</i>			
Total Pension Liability	501,826	413,908	343,662
Fiduciary Net Position	495,924	495,924	495,924
Net Pension Liability (Asset)	5,902	(82,016)	(152,262)
Total Net Pension Liability (Asset)	<u>\$ 36,235</u>	<u>\$ (176,463)</u>	<u>\$ (349,250)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended 2015, the employer recognized pension expense of \$57,387 in the general and police divisions. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE J – EMPLOYEE PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
<i>General Division</i>			
Differences in experiences	\$ 8,205	\$ -	\$ 8,205
Excess (deficit) investment returns	35,623	-	35,623
Contributions subsequent to the measurement date*	15,280	-	15,280
	<u>59,108</u>	<u>-</u>	<u>59,108</u>
<i>Police Division</i>			
Differences in experiences	10,222	-	10,222
Excess (deficit) investment returns	19,755	-	19,755
Contributions subsequent to the measurement date*	5,942	-	5,942
	<u>35,919</u>	<u>-</u>	<u>35,919</u>
Total	<u>\$ 95,027</u>	<u>\$ -</u>	<u>\$ 95,027</u>

Deferred outflows and inflows have been allocated as follows:

Governmental Activities	\$ 54,242	\$ -	\$ 54,242
Business-Type Activities	40,785	-	40,785
	<u>\$ 95,027</u>	<u>\$ -</u>	<u>\$ 95,027</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition to the Net Pension Asset for the year ending December 31, 2016.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE J – EMPLOYEE PENSION PLAN (continued)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	General Net Deferred Outflow of Resources	Police Net Deferred Outflow of Resources	Total Net Deferred Outflow of Resources
2016	\$ 25,703	\$ 13,676	\$ 39,379
2017	10,423	7,734	18,157
2018	10,423	7,734	18,157
2019	10,422	6,775	17,197
2020	1,517	-	1,517
Thereafter	620	-	620
Total	\$ 59,108	\$ 35,919	\$ 95,027

Payable to the Pension Plan

The City had no outstanding amounts of contributions to the pension plan required for the year ended December 31, 2015.

NOTE K – 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 has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE L – CLAIMS AND JUDGMENTS

The City participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of December 31, 2015, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE M – INTERNAL BALANCES

	<u>Park Fund</u>	<u>Water and Sewer Fund</u>
Internal balances	<u>\$ (321,228)</u>	<u>\$ 321,228</u>

During the year ended December 31, 2011, the Water and Sewer Fund loaned the Park Fund monies used for the construction and operation of the Aquatic Center and other park projects. The City passed a resolution authorizing the interfund loan and principal payments due as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2016	\$ 50,000
2017	50,000
2018	55,000
2019	55,000
2020	55,000
2021	56,228
	<u>\$ 321,228</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE N – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2015, were as follows:

	Transfers In (Out)
General Fund	\$ (251,902)
Park Fund	251,902
	<u>\$ -</u>

Transfers are made to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) reimburse various funds for amounts owed from the other funds, and (3) use unrestricted receipts in the Enterprise Fund, General Fund, and Parks Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

NOTE O – OPERATING LEASE

During 2011, the City entered into a \$30,000 cancelable building operating lease with a term of five years. The following is a schedule of the future minimum rental payments under the lease as of December 31, 2015:

Year Ended December 31,	Amount
2016	<u>\$ 3,000</u>

NOTE P – DEFERRED COURT FINES

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred revenues include court fines to be collected over several years. All of the deferred revenue at December 31, 2015, is accounted for as follows:

General Fund	
Deferred court fines	<u>\$ 6,674</u>

NOTE Q – DEFICIT FUND BALANCE

As of December 31, 2015, the City had a deficit fund balance in the amount of \$142,238 in the Park Fund.

N NOTE R – CURRENT YEAR DEBT REFUNDING

On June 1, 2015, the City issued \$3,995,000 in Series 2015 Refunding Certificates of Participation with an interest rate of 2.0% to 3.5%. The City issued and used the net proceeds along with debt service funds to pay off on June 1, 2015, \$975,000 of outstanding principal and interest on the Series 2006 Certificates of Participation with interest of 4.25% to 4.65%. The City deposited proceeds and debt service reserve funds totaling \$3,257,163 to pay principal of \$25,000 and accrued interest of \$186,179 on the Series 2008 Certificates of Participation on June 1, 2016, and \$2,890,000 and accrued interest of \$155,984 on the Series 2008 Certificates of Participation with interest of 4.50% to 6.625% on June 1, 2017.

As a result of the refunding, the City reduced its debt service requirements by \$934,155, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$737,439.

NOTE S – DEBT DEFEASANCE

On June 1, 2015, the City issued Series 2015 Refunding Certificates of Participation in the amount of \$3,995,000. The proceeds of this issue were for the purpose of creating advance refunding of the Series 2006 Certificates of Participation in the amount of \$975,000, of which was paid off on June 1, 2015. The remaining proceeds were deposited into an irrevocable escrow account at Commerce Bank in the amount of \$2,956,163 along with debt service reserve funds of \$301,000 to earn interest and pay principal of \$25,000 and accrued interest of \$186,179 on the Series 2008 Certificates of Participation on June 1, 2016, and principal of \$2,890,000 and accrued interest on the Series 2008 Certificates of Participation on June 1, 2017. At December 31, 2015, the refunding escrow account for the Series 2008 Certificates of Participation held a balance of \$3,152,378 and had outstanding principal due of \$2,915,000.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE T – RESTATEMENT

On January 1, 2015, the City converted from the modified cash basis of accounting to the accrual/modified accrual basis. The net position as of January 1, 2015 has also been restated for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71. Net position/fund balances have been restated as follows:

General Fund

Fund Balance, as previously stated, December 31, 2014	\$ 548,119
Taxes receivable	287,195
Intergovernmental receivable	101,272
Prepaid insurance	29,763
Court fines receivable, net	8,550
Due from Park Fund	119,274
Due from Water and Sewer Fund	13,056
Unearned revenue	(8,550)
Accounts payable	(5,707)
Court bonds payable	(561)
Accrued expenses	(36,810)
Fund Balance, as restated, January 1, 2015	<u><u>\$ 1,055,601</u></u>

Park Fund

Fund Balance, as previously stated, December 31, 2014	\$ 384,310
Taxes receivable	105,829
Prepaid insurance	27,903
Due to General Fund	(119,274)
Due to Water and Sewer Fund	(371,228)
Accounts payable	(3,015)
Accrued expenses	(12,485)
Fund Balance, as restated, January 1, 2015	<u><u>\$ 12,040</u></u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE T – RESTATEMENT (continued)

Governmental Activities

Net Position, as previously stated, December 31, 2014	\$ 932,429
Taxes receivable	393,024
Intergovernmental receivable	101,272
Prepaid insurance	57,666
Court fines receivable, net	8,550
Due to General Fund	13,056
Due to Water and Sewer Fund	(371,228)
Accounts payable	(8,722)
Court bonds payable	(561)
Accrued expenses	(49,295)
Deferred pension outflows	21,531
Net pension asset	138,864
Capital assets	7,630,272
Accumulated depreciation	(2,119,256)
Compensated absences payable	(10,312)
Loan payable	(32,920)
Lease payable	(33,601)
Certificates of participation payable	(4,015,000)
Interest payable	(20,069)
Net Position, as restated, January 1, 2015	<u>\$ 2,635,700</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE T – RESTATEMENT (continued)

Water and Sewer Fund/Business-Type Activities

Net Position, as previously stated, December 31, 2014	\$ 2,280,168
Capital assets	10,527,395
Accumulated depreciation	(4,183,912)
Prepaid insurance	35,344
Utilities receivable, net	190,415
Net pension asset	101,967
Deferred pension outflows	21,257
Accounts payable	(67,461)
Interest payable	(6,008)
Deposits payable	(180,159)
Accrued expenses	(22,912)
Compensated absences payable	(3,745)
Certificates of participation payable	(2,295,000)
Due to General Fund	(13,056)
Due from Park Fund	371,228
Net Position, as restated, January 1, 2015	<u><u>\$ 6,755,521</u></u>

NOTE U – COMMITMENTS

At December 31, 2015, the City had the following commitments:

- Great River Associates in the amount of \$42,581 for engineering services related to Hughes Road and Highway 160 Intersection improvements.
- Olsson Associates in the amount of \$12,460 for engineering services related to Jackson and Main Street sidewalk improvements.
- Olsson Associates in the amount of \$20,450 for the Wastewater Facility plan.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WILLARD, MISSOURI
 SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
 Year Ended December 31, 2015

Missouri Local Government Employees Retirement System (LAGERS)

	June 30, 2015
TOTAL PENSION LIABILITY	
Service Cost	\$ 88,438
Interest on the Total Pension Liability	78,718
Difference between expected and actual experience	22,739
Benefit payments including refunds	<u>(16,022)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	173,873
TOTAL PENSION LIABILITY, BEGINNING	<u>1,050,195</u>
TOTAL PENSION LIABILITY, ENDING	1,224,068
PLAN FIDUCIARY NET POSITION	
Contributions - employer	45,258
Contributions - employee	43,340
Pension Plan Net Investment Income	27,304
Benefit payments, including refunds	(16,022)
Pension Plan Administrative Expense	(4,380)
Other	<u>14,005</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	109,505
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>1,291,026</u>
PLAN FIDUCIARY NET POSITION, ENDING	<u>1,400,531</u>
EMPLOYER NET PENSION (ASSET)	<u><u>\$ (176,463)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	133.36%
Covered employee payroll	\$ 1,194,538
Employer's net pension asset as a percentage of covered employee payroll	14.77%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF WILLARD, MISSOURI
 SCHEDULE OF CONTRIBUTIONS
 Year Ended December 31, 2015

Missouri Local Government Employees Retirement System (LAGERS)
Schedule of Contributions
Last 10 Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 44,045	\$ 45,844	\$ 43,545	\$ 49,484	\$ 52,223	\$ 52,397	\$ 50,619	\$ 50,121	\$ 43,925	\$ 40,983
Contributions in relation to the actuarially determined contribution	<u>44,045</u>	<u>45,844</u>	<u>43,546</u>	<u>49,484</u>	<u>52,223</u>	<u>52,397</u>	<u>50,619</u>	<u>50,121</u>	<u>43,925</u>	<u>40,938</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 45</u>					
Covered-employee payroll	\$ 1,114,322	\$ 1,035,266	\$ 925,245	\$ 993,997	\$ 992,727	\$ 940,944	\$ 979,164	\$ 945,684	\$ 866,466	\$ 783,130
Contributions as a percentage of covered-employee payroll	3.95%	4.43%	4.71%	4.98%	5.26%	5.57%	5.17%	5.30%	5.07%	5.23%

CITY OF WILLARD, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2015

Valuation Date: February 28, 2015

Notes: The roll-forward of total pension liability from February 28, 2015, to June 30, 2015, reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal

Amortization Method – Level Percentage of Payroll, Closed

Remaining Amortization Period – Multiple bases from 15 to 19 years

Asset Valuation Method – 5-Year smoothed market; 20% corridor

Inflation – 3.5% wage inflation; 3.0% price inflation

Salary Increases – 3.5% to 6.8% including wage inflation

Investment Rate of Return – 7.25%, net of investment and administrative expenses

Retirement Age – Experience-based table of rates that are specific to the type of eligibility condition

Mortality – 105% of the 1994 Group Annuity Mortality Table set back 0 years for men and 0 years for women. Based upon experience observed during the most recent 5-year period study, it appears that the current table provides for an approximate 13% margin for future mortality improvement.

Other Information – None

CITY OF WILLARD, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 182,000	\$ 172,000	\$ 179,906	\$ 7,906
Sales taxes	667,950	718,200	865,489	147,289
Franchise taxes	309,500	309,500	313,805	4,305
Motor vehicle taxes	187,000	187,000	207,429	20,429
	<u>1,346,450</u>	<u>1,386,700</u>	<u>1,566,629</u>	<u>179,929</u>
Licenses and Permits				
Building permits	40,000	40,000	31,718	(8,282)
Merchants licenses	5,500	5,500	4,283	(1,217)
	<u>45,500</u>	<u>45,500</u>	<u>36,001</u>	<u>(9,499)</u>
Intergovernmental Revenues				
Grants	-	134,500	53,103	(81,397)
Charges for Services				
Planning and zoning	2,000	1,000	563	(437)
Rentals	92,000	92,000	75,822	(16,178)
	<u>94,000</u>	<u>93,000</u>	<u>76,385</u>	<u>(16,615)</u>
Fines and Forfeitures				
City court fines	75,000	75,000	64,419	(10,581)
Miscellaneous				
Donations	1,000	1,000	744	(256)
Interest	1,000	1,000	1,055	55
Other	4,500	7,500	8,242	742
	<u>6,500</u>	<u>9,500</u>	<u>10,041</u>	<u>541</u>
TOTAL REVENUES	<u>1,567,450</u>	<u>1,744,200</u>	<u>1,806,578</u>	<u>62,378</u>

CITY OF WILLARD, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
EXPENDITURES				
Current				
Administrative	243,777	257,003	229,469	27,534
Public safety	812,892	822,102	760,405	61,697
Streets	375,971	377,171	278,623	98,548
Planning and development	81,719	82,433	52,639	29,794
Emergency management	22,032	22,032	18,476	3,556
TOTAL EXPENDITURES	<u>1,536,391</u>	<u>1,560,741</u>	<u>1,339,612</u>	<u>221,129</u>
EXCESS OF REVENUES OVER EXPENDITURES	31,059	183,459	466,966	283,507
OTHER FINANCING (USES)				
Operating transfers (out)	<u>-</u>	<u>(75,000)</u>	<u>(251,902)</u>	<u>(176,902)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER (USES)	31,059	108,459	215,064	106,605
FUND BALANCE, January 1, as restated	<u>1,055,601</u>	<u>1,055,601</u>	<u>1,055,601</u>	<u>-</u>
FUND BALANCE, December 31	<u><u>\$ 1,086,660</u></u>	<u><u>\$ 1,164,060</u></u>	<u><u>\$ 1,270,665</u></u>	<u><u>\$ 106,605</u></u>

CITY OF WILLARD, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
REVENUES				
Taxes				
Ad valorem taxes	\$ 56,000	\$ 74,000	\$ 55,215	\$ (18,785)
Sales taxes	442,900	442,900	452,392	9,492
	<u>498,900</u>	<u>516,900</u>	<u>507,607</u>	<u>(9,293)</u>
Charges for services				
Rental income	13,056	13,056	12,912	(144)
Adult and youth programs	204,500	200,000	205,150	5,150
Facility	45,000	40,000	30,009	(9,991)
Swimming pool	90,000	80,000	73,013	(6,987)
Special events	15,000	15,000	6,043	(8,957)
Advertising	30,000	20,000	17,400	(2,600)
Concessions	45,000	45,000	37,383	(7,617)
Park	3,000	3,000	-	(3,000)
	<u>445,556</u>	<u>416,056</u>	<u>381,910</u>	<u>(34,146)</u>
Miscellaneous				
Interest	1,000	500	58	(442)
Other	10,500	35,500	26,699	(8,801)
	<u>11,500</u>	<u>36,000</u>	<u>26,757</u>	<u>(9,243)</u>
TOTAL REVENUES	<u>955,956</u>	<u>968,956</u>	<u>916,274</u>	<u>(52,682)</u>
EXPENDITURES				
Current				
Parks and recreation	579,837	692,088	684,949	7,139
Debt service				
Principal and interest	373,950	344,500	4,672,927	(4,328,427)
TOTAL EXPENDITURES	<u>953,787</u>	<u>1,036,588</u>	<u>5,357,876</u>	<u>(4,321,288)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	2,169	(67,632)	(4,441,602)	(4,373,970)
OTHER FINANCING SOURCES				
Certificates of participation proceeds	-	-	3,995,000	3,995,000
Certificates of participation premium	-	-	40,422	40,422
Operating transfers in	40,000	75,000	251,902	176,902
TOTAL OTHER FINANCING SOURCES	<u>40,000</u>	<u>75,000</u>	<u>4,287,324</u>	<u>4,212,324</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES				
	42,169	7,368	(154,278)	(161,646)
FUND BALANCE, January 1, as restated				
	<u>12,040</u>	<u>12,040</u>	<u>12,040</u>	<u>-</u>
FUND BALANCE (DEFICIT), December 31				
	<u>\$ 54,209</u>	<u>\$ 19,408</u>	<u>\$ (142,238)</u>	<u>\$ (161,646)</u>

CITY OF WILLARD, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2015

Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedules:

1. Prior to January, the Chief Financial Officer submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed disbursement plans and the proposed means of financing them.
2. One public hearing is conducted by the City in late December to obtain taxpayers' comments on the proposed budget.
3. Prior to January 1, the City adopts a budget.
4. Budgets for the General and Park Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by the Board of Alderman on approved budget adjustment forms.

OTHER FINANCIAL INFORMATION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the City of Willard, Missouri, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Willard, Missouri's basic financial statements, and have issued our report thereon, dated May 11, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. It is identified as item 2015-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Willard, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Willard, Missouri's Response to Finding

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

Purpose of This Report

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
May 11, 2016

CITY OF WILLARD, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2015

2015-001 Segregation of duties

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

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

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

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

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