

CITY OF WILLARD, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2016

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	14
Statement of Activities.....	16
Balance Sheet - Governmental Funds.....	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position – Proprietary Fund	21
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	22
Statement of Cash Flows – Proprietary Fund	23
Notes to Financial Statements.....	25
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios.....	49
Schedule of Contributions.....	50
Notes to Schedule of Contributions	51

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION (continued)

Budgetary Comparison Schedule – General Fund.....	52
Budgetary Comparison Schedule – Park Fund	54
Note to Budgetary Comparison Schedules	55

OTHER REPORTING REQUIREMENTS

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 <i>Government Auditing Standards</i>	57
---	----



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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343
500 W. Main Street, Suite 200 Branson, MO 65616 | 417-334-2987 | fax 417-336-3403

Member of The Leading Edge Alliance

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the City of Willard, Missouri, as of December 31, 2016, 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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2017, 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 10, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2016

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, 2016. Please read it in conjunction with the City's financial statements, which begin on page 14.

Financial Highlights

- The net position of the City's governmental activities increased by \$546,580 as a result of current year activities. The net position of the City's business-type activities increased by \$120,649 for the year.
- The assets and deferred outflows of the City exceeded its liabilities as of December 31, 2016, by \$10,043,473 (net position). Of this amount \$4,225,698 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$304,064.

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, 2016

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, 2016**

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of December 31, 2016, and December 31, 2015:

	Governmental Activities	Business-Type Activities	Total December 31, 2016	Total December 31, 2015
Assets				
Current and other assets	\$ 1,729,913	\$ 2,882,210	\$ 4,612,123	\$ 4,119,419
Capital assets	5,439,471	6,184,448	11,623,919	11,588,262
Net pension asset	11,110	-	11,110	176,463
	<u>7,180,494</u>	<u>9,066,658</u>	<u>16,247,152</u>	<u>15,884,144</u>
Deferred Outflow of Resources				
Deferred pension outflows	141,390	80,854	222,244	95,027
Liabilities				
Other liabilities	258,135	466,389	724,524	725,116
Long-term liabilities	3,717,187	1,856,560	5,573,747	5,877,811
Net pension liability	-	21,807	21,807	-
	<u>3,975,322</u>	<u>2,344,756</u>	<u>6,320,078</u>	<u>6,602,927</u>
Deferred Inflow of Resources				
Deferred pension inflows	73,565	32,280	105,845	-
Net position				
Net investment in capital assets	1,583,049	4,189,448	5,772,497	5,397,379
Restricted	45,278	-	45,278	75,357
Unrestricted	1,644,670	2,581,028	4,225,698	3,903,508
	<u>\$ 3,272,997</u>	<u>\$ 6,770,476</u>	<u>\$ 10,043,473</u>	<u>\$ 9,376,244</u>

Total net position of the City increased by \$667,229 for the year due to current year activity. Total liabilities for the City have decreased by \$282,849. Restricted net position of the City totaled \$45,278 as of December 31, 2016.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2016**

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2016	Total Year Ended December 31, 2015
REVENUES				
Program Revenues				
Charges for services	\$ 608,845	\$ 2,415,114	\$ 3,023,959	\$ 2,952,277
Operating grants and contributions	15,277	40,000	55,277	16,400
Capital grants and contributions	57,424	-	57,424	37,448
General Revenues				
Property taxes	243,820	-	243,820	235,121
Sales taxes	1,383,450	-	1,383,450	1,317,881
Motor vehicle and gas taxes	209,159	-	209,159	207,429
Franchise fees	317,699	-	317,699	313,805
Interest	2,887	3,519	6,406	3,073
Other revenue	43,900	-	43,900	34,940
TOTAL REVENUES	<u>2,882,461</u>	<u>2,458,633</u>	<u>5,341,094</u>	<u>5,118,374</u>
EXPENSES				
Administrative	258,127	-	258,127	244,492
Public Safety	794,935	-	794,935	751,785
Streets	179,399	-	179,399	181,418
Planning and development	88,489	-	88,489	56,264
Emergency management	20,251	-	20,251	18,476
Parks and recreation	874,579	-	874,579	764,072
Debt service	120,101	-	120,101	613,752
Water and sewer	-	2,337,984	2,337,984	2,503,092
TOTAL EXPENSES	<u>2,335,881</u>	<u>2,337,984</u>	<u>4,673,865</u>	<u>5,133,351</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 546,580</u>	<u>\$ 120,649</u>	<u>\$ 667,229</u>	<u>\$ (14,977)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2016**

Governmental Activities

Governmental activities increased the net position of the City by \$546,580. Tax revenues for the City were \$2,154,128, which represents 75% of the funding of these activities. Program and other revenues for the functions totaled \$681,546, or 24% 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	\$ 258,127	\$ 170,507
Public safety	794,935	702,932
Streets	179,399	121,975
Planning and development	88,489	62,003
Emergency management	20,251	9,516
Parks and recreation	874,579	467,301
Debt service	120,101	120,101
	\$ 2,335,881	\$ 1,654,335

Business-Type Activities

Business-type activities increased the City's net position by \$120,649.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2016, were \$1,646,765. The General Fund increased by \$185,804. The Park Fund increased by \$332,534.

General Fund Budgetary Highlights

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

- The original revenue budget of \$1,746,564 was increased to \$1,907,050 to reflect actual revenues.
- The original expenditures budget of \$1,663,129 was decreased to \$1,474,640 to reflect actual expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2016

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$5,439,471 (net of accumulated depreciation) as of December 31, 2016. This represents a \$67,514 decrease from the prior year. Capital assets for business-type activities were \$6,184,448 (net of accumulated depreciation) as of December 31, 2016. This represents an increase of \$103,171.

Debt

Total debt of the governmental activities as of December 31, 2016, was \$3,897,187, which is down from \$4,070,918 in the prior year, primarily due to principal payments.

Total debt of the business-type activities as of December 31, 2016, was \$2,001,560, which is down from \$2,143,828 in the prior year, primarily due to principal payments.

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 Robertson Estates subdivision that includes 8 lots on 20 acres.
 - The Jack Minnick subdivision that is 5 lots.
 - The new construction of 14 homes.
- A street improvement plan to improve City sidewalks.
- The plan to annex right of ways to expand the Willard city limits.
- The annexing of 26 acres for development.
- The comprehensive plan update is in progress, which will be completed at the end of 2017.

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

The operational budget includes a public improvement development plan for Hughes Street and Miller Street to be continued on into 2017 and 2018.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2016**

Economic Factors and Next Year's Budget (continued)

Although growth was taken into account, a conservative approach was used to estimate the revenues for 2017. Revenues were based on the following factors: review of revenue history; economic trends; and fee increases for services provided by the City.

The City accounted for increases in salaries, health insurance, and retirement. All employee wages will be changed to a Step and Scale Grade system in 2017 with increases between .01% to 31.71%. In addition, there will be an increase at hire dates of 2.5% with incentives added for positions with additional duties. The health insurance increased 7%. All employment costs will increase also, because there are 5 additional employees in 2017. Property and liability insurance increases were estimated at 8% and worker's compensation was estimated at a 1% increase.

The Park Fund transferred \$321,228 to the Water and Sewer Fund to pay the 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
Bradley Gray, City Administrator
Carolyn Halverson, Chief Financial Officer
Jennifer Rowe, City Clerk

CITY OF WILLARD, MISSOURI
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 1,137,016	\$ 2,464,539	\$ 3,601,555
Investments	77,398	-	77,398
Taxes receivable	381,931	-	381,931
Utilities receivable, net	-	176,095	176,095
Intergovernmental receivable	10,735	-	10,735
Court fines receivable, net	14,872	-	14,872
Other receivable	62	-	62
Prepaid expenses	62,034	38,021	100,055
Noncurrent			
Restricted cash and cash equivalents	45,865	203,555	249,420
Net pension asset	11,110	-	11,110
Capital Assets:			
Non-depreciable	486,732	205,895	692,627
Depreciable, net	4,952,739	5,978,553	10,931,292
TOTAL ASSETS	7,180,494	9,066,658	16,247,152
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	141,390	80,854	222,244

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF NET POSITION (continued)
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Current			
Accounts payable	20,828	68,783	89,611
Accrued expenses	46,861	22,035	68,896
Deposits payable	294	203,555	203,849
Court bonds payable	293	-	293
Accrued interest payable	9,859	27,016	36,875
Current portion of long-term debt	180,000	145,000	325,000
	<u>258,135</u>	<u>466,389</u>	<u>724,524</u>
Noncurrent			
Compensated absences payable	40,765	6,560	47,325
Certificates of participation payable, net	3,676,422	1,850,000	5,526,422
Net pension liability	-	21,807	21,807
	<u>3,717,187</u>	<u>1,878,367</u>	<u>5,595,554</u>
TOTAL LIABILITIES	<u>3,975,322</u>	<u>2,344,756</u>	<u>6,320,078</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	<u>73,565</u>	<u>32,280</u>	<u>105,845</u>
NET POSITION			
Net investment in capital assets	1,583,049	4,189,448	5,772,497
Restricted	45,278	-	45,278
Unrestricted	1,644,670	2,581,028	4,225,698
TOTAL NET POSITION	<u>\$ 3,272,997</u>	<u>\$ 6,770,476</u>	<u>\$ 10,043,473</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

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	\$ (258,127)	\$ 87,320	\$ 300	\$ -	\$ (170,507)	\$ -	\$ (170,507)
Public safety	(794,935)	87,761	4,242	-	(702,932)	-	(702,932)
Streets	(179,399)	-	-	57,424	(121,975)	-	(121,975)
Planning and development	(88,489)	26,486	-	-	(62,003)	-	(62,003)
Emergency management	(20,251)	-	10,735	-	(9,516)	-	(9,516)
Parks and recreation	(874,579)	407,278	-	-	(467,301)	-	(467,301)
Debt service	(120,101)	-	-	-	(120,101)	-	(120,101)
TOTAL GOVERNMENTAL ACTIVITIES	(2,335,881)	608,845	15,277	57,424	(1,654,335)	-	(1,654,335)
Business-Type Activities							
Water and sewer	(2,337,984)	2,415,114	40,000	-	-	117,130	117,130
TOTAL BUSINESS-TYPE ACTIVITIES	(2,337,984)	2,415,114	40,000	-	-	117,130	117,130
TOTAL GOVERNMENT	\$ (4,673,865)	\$ 3,023,959	\$ 55,277	\$ 57,424	(1,654,335)	117,130	(1,537,205)
		General Revenues:					
		Ad valorem taxes			243,820	-	243,820
		Sales taxes			1,383,450	-	1,383,450
		Franchise taxes			317,699	-	317,699
		Motor vehicle taxes			209,159	-	209,159
		Interest			2,887	3,519	6,406
		Other receipts			43,900	-	43,900
		Total General Revenues			2,200,915	3,519	2,204,434
		Changes in Net Position			546,580	120,649	667,229
		NET POSITION, Beginning of year			2,726,417	6,649,827	9,376,244
		NET POSITION, End of year			\$ 3,272,997	\$ 6,770,476	\$ 10,043,473

See accompanying notes.

CITY OF WILLARD, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
	Fund	Fund	Funds
ASSETS			
Cash and cash equivalents - unrestricted	\$ 1,051,934	\$ 85,082	\$ 1,137,016
Investments - unrestricted	77,398	-	77,398
Taxes receivable	295,269	86,662	381,931
Intergovernmental receivable	10,735	-	10,735
Court fines receivable, net	14,872	-	14,872
Other receivable	-	62	62
Prepaid expenses	33,018	29,016	62,034
Restricted cash and cash equivalents	40,069	5,796	45,865
TOTAL ASSETS	\$ 1,523,295	\$ 206,618	\$ 1,729,913
LIABILITIES			
Liabilities			
Accounts payable	\$ 18,141	\$ 2,687	\$ 20,828
Accrued expenses	33,520	13,341	46,861
Court bonds payable	293	-	293
Deposits payable	-	294	294
TOTAL LIABILITIES	51,954	16,322	68,276
DEFERRED INFLOW OF RESOURCES			
Deferred court fines	14,872	-	14,872
FUND BALANCES			
Nonspendable:			
Prepaid items	33,018	29,016	62,034
Restricted for:			
Debt service	-	5,413	5,413
Judicial facility fund	4,529	-	4,529
Judicial education fund	1,423	-	1,423
Police forfeiture funds	656	-	656
Capital improvements	33,168	-	33,168
Youth scholarships	-	89	89
Assigned to:			
Parks and recreation	-	155,778	155,778
Unassigned	1,383,675	-	1,383,675
TOTAL FUND BALANCE	1,456,469	190,296	1,646,765
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 1,523,295	\$ 206,618	\$ 1,729,913

See accompanying notes.

CITY OF WILLARD, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
December 31, 2016

Fund balance - total governmental funds	\$ 1,646,765
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	7,951,434
Less accumulated depreciation	<u>(2,511,963)</u>
	5,439,471
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	11,110
Deferred outflows due to pensions	141,390
Deferred inflows due to pensions	<u>(73,565)</u>
	78,935
Adjustment of deferred court fines	14,872
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(9,859)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(3,897,187)</u>
Net Position of Governmental Activities	<u><u>\$ 3,272,997</u></u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	General Fund	Special Revenue Fund Park Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,629,437	\$ 524,690	\$ 2,154,127
Licenses and permits	26,354	-	26,354
Intergovernmental revenues	72,401	-	72,401
Charges for services	87,452	407,278	494,730
Fines and forfeitures	79,563	-	79,563
Miscellaneous	46,176	912	47,088
TOTAL REVENUES	1,941,383	932,880	2,874,263
EXPENDITURES			
Current			
Administrative	221,803	-	221,803
Public safety	800,319	-	800,319
Streets	246,415	-	246,415
Planning and development	75,370	-	75,370
Emergency management	19,057	-	19,057
Parks and recreation	-	694,905	694,905
Debt service			
Principal and interest	-	298,056	298,056
TOTAL EXPENDITURES	1,362,964	992,961	2,355,925
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	578,419	(60,081)	518,338
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	(392,615)	392,615	-
TOTAL OTHER FINANCING SOURCES (USES)	(392,615)	392,615	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	185,804	332,534	518,338
FUND BALANCE (DEFICIT), January 1	1,270,665	(142,238)	1,128,427
FUND BALANCE, December 31	\$ 1,456,469	\$ 190,296	\$ 1,646,765

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, 2016

Net change in fund balances - total governmental funds \$ 518,338

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	127,676
Depreciation	(195,190)
	(67,514)

Some revenues reported in the governmental funds represent current financial
 resources and were recognized in the statement of activities when earned. 8,198

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

Change in pension related costs	(86,602)
Change in compensated absences	(20,730)
	(107,332)

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	194,461
Accrued interest payable	429
	194,890

	\$ 546,580
--	------------

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND
December 31, 2016

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,464,539
Utilities receivable, net	176,095
Prepaid expenses	<u>38,021</u>
TOTAL CURRENT ASSETS	2,678,655
Restricted Assets	
Cash and cash equivalents	<u>203,555</u>
TOTAL RESTRICTED ASSETS	203,555
Property, Plant and Equipment,	
Non-depreciable	205,895
Depreciable	10,670,771
Accumulated depreciation	<u>(4,692,218)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	6,184,448
TOTAL ASSETS	<u>9,066,658</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred pension outflows	80,854
LIABILITIES	
Current Liabilities	
Accounts payable	68,783
Accrued expenses	22,035
Accrued interest payable	27,016
Utility deposits	203,555
Current maturities of long-term debt	<u>145,000</u>
TOTAL CURRENT LIABILITIES	466,389
Long-Term Liabilities	
Compensated absences payable	6,560
Certificates of participation payable	1,850,000
Net pension liability	<u>21,807</u>
TOTAL LONG-TERM LIABILITIES	1,878,367
TOTAL LIABILITIES	2,344,756
DEFERRED INFLOW OF RESOURCES	
Deferred pension inflows	<u>32,280</u>
NET POSITION	
Net investment in capital assets	4,189,448
Unrestricted	<u>2,581,028</u>
TOTAL NET POSITION	<u>\$ 6,770,476</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND
 Year Ended December 31, 2016

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	
Water	\$ 899,895
Sewer	1,268,337
Trash	<u>246,882</u>
TOTAL OPERATING REVENUES	2,415,114
OPERATING EXPENSES	
Water Services	
Wages and benefits	375,304
Professional services	20,844
Utilities	90,593
Insurance	24,096
Supplies	109,549
Travel, meetings & dues	24,078
Vehicle expense	15,366
Repairs and maintenance	18,674
Depreciation	126,862
Rent	3,250
Advertising	577
Miscellaneous	133
Sewer Services	
Wages and benefits	347,131
Professional services	45,405
Sewer charges	500,722
Utilities	61,369
Insurance	24,096
Supplies	52,099
Travel, meetings & dues	12,643
Vehicle expense	15,841
Repairs and maintenance	50,170
Depreciation	119,238
Rent	3,250
Advertising	287
Miscellaneous	156
Trash Services	
Trash	<u>229,521</u>
TOTAL OPERATING EXPENSES	<u>2,271,254</u>
OPERATING INCOME	143,860
NONOPERATING REVENUES (EXPENSES)	
Interest income	3,519
Intergovernmental revenues	40,000
Interest expense	<u>(66,730)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(23,211)</u>
NET INCOME	120,649
NET POSITION, January 1	<u>6,649,827</u>
NET POSITION, December 31	<u><u>\$ 6,770,476</u></u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended December 31, 2016

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,433,095
Cash paid to suppliers	(1,323,303)
Cash paid to employees	<u>(640,747)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	469,045
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Loans repaid from other funds	<u>321,228</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	321,228
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(349,271)
Grant proceeds	40,000
Payment of principal on debt	(145,000)
Payment of interest expense	<u>(68,693)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(522,964)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>3,519</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,519</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	270,828
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,397,266</u>
CASH AND CASH EQUIVALENTS, End of year	2,668,094
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>203,555</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 2,464,539</u></u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND (continued)
Year Ended December 31, 2016

	<u>Sewer Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 143,860
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	246,100
(Increase) decrease in:	
Utilities receivable	3,592
Other receivables	1,133
Prepaid expenses	(2,178)
Net pension asset	65,168
Deferred pension outflows	(40,069)
Increase (decrease) in:	
Accounts payable	(18,406)
Accrued expenses	(230)
Meter deposits payable	13,256
Compensated absences payable	2,732
Net pension liability	21,807
Deferred pension inflows	32,280
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 469,045</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.

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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.

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 two items that qualify for reporting in this category, deferred amounts relating to court fines on the Balance Sheet and deferred amounts relating to employer contributions to the retirement plan on the Statement of Net Position. 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, 2016

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, 2016, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City of Willard, Missouri, as of December 31, 2016, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	12/29/2017 - 8/17/2018	<u>\$ 77,398</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, 2016, all Certificates of Deposit are entirely insured or collateralized with securities.

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.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE D – RESTRICTED ASSETS

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

	Restricted Cash and Cash Equivalents	Restricted Fund Balance/ Net Position
GENERAL FUND		
Court bonds	\$ 293	\$ -
Judicial facility fund	4,529	4,529
Judicial education fund	1,423	1,423
Police forfeiture funds	656	656
Capital improvement sales tax	33,168	33,168
	<u>\$ 40,069</u>	<u>\$ 39,776</u>
PARK FUND		
2015 Refunding Certificates of Participation		
Project fund	\$ 5,413	\$ 5,413
Youth scholarships	89	89
Park deposits	294	-
	<u>\$ 5,796</u>	<u>\$ 5,502</u>
WATER AND SEWER FUND		
Customer utility deposits	<u>\$ 203,555</u>	<u>\$ -</u>

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.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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

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

	<u>2016</u>
Assessed Valuation	
Real estate	\$ 47,628,760
Personal property	<u>10,037,620</u>
TOTAL	<u>\$ 57,666,380</u>
Tax Rates Per \$100 of Assessed Valuation	
General Fund	\$.4016
Park Fund	<u>.1229</u>
TOTAL	<u>\$.5245</u>

The legal debt margin at December 31, 2016, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 5,766,638	\$ 5,766,638	\$ 11,533,276
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 5,766,638</u>	<u>\$ 5,766,638</u>	<u>\$ 11,533,276</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, 2016

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	\$ 25,872	\$ (11,000)	\$ 14,872
UTILITIES RECEIVABLE			
Water and Sewer Fund	\$ 247,731	\$ (71,636)	\$ 176,095

NOTE G – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities for governmental activities at December 31, 2016, consists of the 2015 Refunding Certificates of Participation 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, 2016, are as follows:

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

Year Ended December 31,	Principal	Interest	Total
2017	\$ 180,000	\$ 116,506	\$ 296,506
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>\$ 3,820,000</u>	<u>\$ 1,081,513</u>	<u>\$ 4,901,513</u>

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

	Balance December 31, 2015	Additions	Retirements	Balance December 31, 2016	Amounts Due Within One Year
Certificates of Participation					
2015 Refunding Certificates of Participation	\$ 3,995,000	\$ -	\$ 175,000	\$ 3,820,000	\$ 180,000
	3,995,000	-	175,000	3,820,000	180,000
Premium on Certificates of Participation	38,948	-	2,526	36,422	-
	4,033,948	-	177,526	3,856,422	180,000
Capital lease obligation	16,935	-	16,935	-	-
Compensated absences	20,035	20,730	-	40,765	-
	<u>\$ 4,070,918</u>	<u>\$ 20,730</u>	<u>\$ 194,461</u>	<u>\$ 3,897,187</u>	<u>\$ 180,000</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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

Long-term liabilities for business-type activities at December 31, 2016, consists of the 2014 Refunding Certificates of Participation and compensated absences.

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, 2016, are as follows:

Year Ended December 31,	Principal	Interest	Total
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>\$ 1,995,000</u>	<u>\$ 411,369</u>	<u>\$ 2,406,369</u>

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

	Balance December 31, 2015	Additions	Retirements	Balance December 31, 2016	Amounts Due Within One Year
2014 Refunding Certificates of Participation	\$ 2,140,000	\$ -	\$ 145,000	\$ 1,995,000	\$ 145,000
Compensated absences	3,828	2,732	-	6,560	-
	<u>\$ 2,143,828</u>	<u>\$ 2,732</u>	<u>\$ 145,000</u>	<u>\$ 2,001,560</u>	<u>\$ 145,000</u>

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE I – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
GOVERNMENTAL ACTIVITIES				
Non-depreciable Capital Assets				
Land	\$ 452,032	\$ -	\$ -	\$ 452,032
Construction in progress	14,445	82,741	62,486	34,700
Total Non-depreciable Capital Assets	466,477	<u>\$ 82,741</u>	<u>\$ 62,486</u>	486,732
Depreciable Capital Assets				
Building and improvements	4,814,078	\$ 17,140	\$ -	4,831,218
Major moveable equipment	1,427,965	8,695	-	1,436,660
Infrastructure	1,115,238	81,586	-	1,196,824
Total Depreciable Capital Assets	7,357,281	<u>\$ 107,421</u>	<u>\$ -</u>	7,464,702
Less Accumulated Depreciation				
Building and improvements	994,700	\$ 96,396	\$ -	1,091,096
Major moveable equipment	965,223	70,233	-	1,035,456
Infrastructure	356,850	28,561	-	385,411
Total Accumulated Depreciation	2,316,773	<u>\$ 195,190</u>	<u>\$ -</u>	2,511,963
Total Depreciable Capital Assets, net	<u>5,040,508</u>			<u>4,952,739</u>
Total Governmental Activities Capital Assets, net	<u>\$ 5,506,985</u>			<u>\$ 5,439,471</u>

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

Administrative	\$ 12,316
Planning and development	29
Public safety	44,669
Parks and recreation	109,911
Street	28,265
	<u>\$ 195,190</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE I – CAPITAL ASSETS (continued)

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
BUSINESS-TYPE ACTIVITIES				
Water and Sewer Fund				
Non-depreciable Capital Assets				
Land	\$ 205,895	\$ -	\$ -	\$ 205,895
Total Non-depreciable Capital Assets	205,895	<u>\$ -</u>	<u>\$ -</u>	205,895
Depreciable Capital Assets				
Sewer system	5,123,393	\$ 332,131	\$ -	5,455,524
Water system	4,528,225	-	-	4,528,225
Buildings and improvements	-	17,140	-	17,140
Major moveable equipment	669,882	-	-	669,882
Total Depreciable Capital Assets	10,321,500	<u>\$ 349,271</u>	<u>\$ -</u>	10,670,771
Less Accumulated Depreciation				
Sewer system	2,342,639	\$ 103,934	\$ -	2,446,573
Water system	1,514,575	111,557	-	1,626,132
Buildings and improvements	-	114	-	114
Major moveable equipment	588,904	30,495	-	619,399
Total Accumulated Depreciation	4,446,118	<u>\$ 246,100</u>	<u>\$ -</u>	4,692,218
Total Depreciable Capital Assets, net	<u>5,875,382</u>			<u>5,978,553</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 6,081,277</u>			<u>\$ 6,184,448</u>

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

Water	\$ 126,862
Sewer	<u>119,238</u>
	<u>\$ 246,100</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. 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>2016 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.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE J – EMPLOYEE PENSION PLAN (continued)

Employees Covered by Benefit Terms. At June 30, 2016, 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	11	15	26
Active employees	<u>19</u>	<u>8</u>	<u>27</u>
	<u>36</u>	<u>23</u>	<u>59</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 4.3% (General) and 3.6% (Police) of annual covered payroll.

Net Pension Liability/Asset. The employer’s net pension liability/asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation as of February 29, 2016.

Actuarial Assumptions. The total pension liability in the February 29, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

NOTE J – EMPLOYEE PENSION PLAN (continued)

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 29, 2016, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

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	43.00%	5.29%
Fixed Income	26.00%	2.23%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

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, 2016

NOTE J – EMPLOYEE PENSION PLAN (continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<i>General Division</i>			
Balances at June 30, 2015	\$ 810,160	\$ 904,607	\$ (94,447)
Changes for the year:			
Service cost	64,307	-	64,307
Interest on total pension liability	59,983	-	59,983
Changes of benefit terms	101,431	-	101,431
Difference between expected and actual experiences	(73,597)	-	(73,597)
Contributions - employer	-	36,922	(36,922)
Contributions - employee	-	29,471	(29,471)
Net investment income	-	(1,762)	1,762
Changes of assumptions	48,291	-	48,291
Benefits paid, including refunds	(29,302)	(29,302)	-
Pension plan administrative expenses	-	(2,609)	2,609
Other (net transfer)	-	2,800	(2,800)
Net Changes	171,113	35,520	135,593
Balances at June 30, 2016	981,273	940,127	41,146
<i>Police Division</i>			
Balances at June 30, 2015	413,908	495,924	(82,016)
Changes for the year:			
Service cost	27,487	-	27,487
Interest on total pension liability	30,303	-	30,303
Changes of benefit terms	63,363	-	63,363
Difference between expected and actual experiences	(56,448)	-	(56,448)
Contributions - employer	-	14,541	(14,541)
Contributions - employee	-	12,733	(12,733)
Net investment income	-	(310)	310
Changes of assumption	11,119	-	11,119
Benefits paid, including refunds	(19,226)	(19,226)	-
Pension plan administrative expenses	-	(1,179)	1,179
Other (net transfer)	-	(1,528)	1,528
Net Changes	56,598	5,031	51,567
Balances at June 30, 2016	470,506	500,955	(30,449)
Total Plan Balances at June 30, 2016	\$ 1,451,779	\$ 1,441,082	\$ 10,697

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE J – EMPLOYEE PENSION PLAN (continued)

The Net Pension Liability (Asset) is allocated as follows:

	<u>Net Pension Liability (Asset)</u>
Governmental Activities	\$ (11,110)
Business-Type Activities	<u>21,807</u>
	<u>\$ 10,697</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following present the Net Pension Liability (Asset) of the employer, calculated using the discount rate of 7.25%, as well as what the employer’s Net Pension Liability (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.

	<u>1% Decrease 6.25%</u>	<u>Current Single Discount Rate Assumption 7.25%</u>	<u>1% Increase 8.25%</u>
<i>General Division</i>			
Total Pension Liability	\$ 1,144,132	\$ 981,273	\$ 850,138
Fiduciary Net Position	<u>940,127</u>	<u>940,127</u>	<u>940,127</u>
Net Pension Liability (Asset)	204,005	41,146	(89,989)
<i>Police Division</i>			
Total Pension Liability	572,951	470,506	389,920
Fiduciary Net Position	<u>500,955</u>	<u>500,955</u>	<u>500,955</u>
Net Pension Liability (Asset)	<u>71,996</u>	<u>(30,449)</u>	<u>(111,035)</u>
Total Net Pension Liability (Asset)	<u>\$ 276,001</u>	<u>\$ 10,697</u>	<u>\$ (201,024)</u>

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

For the year ended 2016, the employer recognized pension expense of \$139,974 in the general division and \$77,277 in the police division. 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, 2016

NOTE J – EMPLOYEE PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
<i>General Division</i>			
Difference in experience	\$ 6,688	\$ (60,906)	\$ (54,218)
Differences in assumptions	39,964	-	39,964
Excess investment returns	81,656	-	81,656
Contributions subsequent to the measurement date*	24,247	-	24,247
	<u>152,555</u>	<u>(60,906)</u>	<u>91,649</u>
<i>Police Division</i>			
Difference in experience	7,427	(44,939)	(37,512)
Differences in assumptions	8,852	-	8,852
Excess investment returns	43,980	-	43,980
Contributions subsequent to the measurement date*	9,430	-	9,430
	<u>69,689</u>	<u>(44,939)</u>	<u>24,750</u>
	<u>\$ 222,244</u>	<u>\$ (105,845)</u>	<u>\$ 116,399</u>

Deferred outflows and inflows have been allocated as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Governmental Activities	\$ 141,390	\$ (73,565)	\$ 67,825
Business-Type Activities	80,854	(32,280)	48,574
	<u>\$ 222,244</u>	<u>\$ (105,845)</u>	<u>\$ 116,399</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 and a subtraction to the Net Pension Liability for the year ending December 31, 2017.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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
2017	\$ 44,041	\$ 15,213	\$ 59,254
2018	19,794	5,783	25,577
2019	19,793	4,824	24,617
2020	10,887	(1,070)	9,817
2021	(2,866)	-	(2,866)
	<u>\$ 91,649</u>	<u>\$ 24,750</u>	<u>\$ 116,399</u>

Payable to the Pension Plan

The City had no outstanding amounts of contributions to the pension plan required for the year ended December 31, 2016.

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, 2016

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, 2016, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE M – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2016, were as follows:

	Transfers In (Out)
General Fund	\$ (392,615)
Park Fund	392,615
	<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 N – 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, 2016, is accounted for as follows:

General Fund	
Deferred court fines	<u>\$ 14,872</u>

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE O – 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, 2016, the refunding escrow account for the Series 2008 Certificates of Participation held a balance of \$2,973,946 and had outstanding principal due of \$2,890,000.

NOTE P – COMMITMENT

At December 31, 2016, the City had the following commitment:

- Great River Associates in the amount of \$15,300 for engineering services related to Hughes Road and Highway 160 Intersection improvements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WILLARD, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
Year Ended December 31, 2016

Missouri Local Government Employees Retirement System (LAGERS)

	June 30, 2016	June 30, 2015
TOTAL PENSION LIABILITY		
Service Cost	\$ 91,794	\$ 88,438
Interest on the Total Pension Liability	90,286	78,718
Changes of Benefit Terms	164,794	-
Difference between expected and actual experience	(130,045)	22,739
Changes of Assumptions	59,410	-
Benefit payments including refunds	(48,528)	(16,022)
NET CHANGE IN TOTAL PENSION LIABILITY	227,711	173,873
TOTAL PENSION LIABILITY, BEGINNING	1,224,068	1,050,195
TOTAL PENSION LIABILITY, ENDING	1,451,779	1,224,068
PLAN FIDUCIARY NET POSITION		
Contributions - employer	51,463	45,258
Contributions - employee	42,204	43,340
Net Investment Income	(2,072)	27,304
Benefit payments, including refunds	(48,528)	(16,022)
Pension Plan Administrative Expense	(3,788)	(4,380)
Other (Net Transfer)	1,272	14,005
NET CHANGE IN PLAN FIDUCIARY NET POSITION	40,551	109,505
PLAN FIDUCIARY NET POSITION, BEGINNING	1,400,531	1,291,026
PLAN FIDUCIARY NET POSITION, ENDING	1,441,082	1,400,531
EMPLOYER NET PENSION LIABILITY (ASSET)	\$ 10,697	\$ (176,463)
Plan fiduciary net position as a percentage of the total pension liability	117.73%	133.36%
Covered employee payroll	\$ 953,319	\$ 1,194,538
Employer's net pension liability (asset) as a percentage of covered employee payroll	-1.12%	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, 2016

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

	<u>2016</u>	<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>
Actuarially determined contribution	\$ 63,917	\$ 44,045	\$ 45,844	\$ 43,545	\$ 49,484	\$ 52,225	\$ 52,397	\$ 50,619	\$ 50,121	\$ 43,925
Contributions in relation to the actuarially determined contribution	<u>63,917</u>	<u>44,045</u>	<u>45,844</u>	<u>43,546</u>	<u>49,484</u>	<u>52,225</u>	<u>52,397</u>	<u>50,619</u>	<u>50,121</u>	<u>43,925</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,027,993	\$ 1,114,322	\$ 1,035,266	\$ 925,245	\$ 993,997	\$ 992,755	\$ 940,944	\$ 979,164	\$ 945,684	\$ 866,466
Contributions as a percentage of covered-employee payroll	6.22%	3.95%	4.43%	4.71%	4.98%	5.26%	5.57%	5.17%	5.30%	5.07%

See accompanying notes to the required schedules.

CITY OF WILLARD, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2016

Valuation Date: February 29, 2016

Notes: The roll-forward of total pension liability from February 29, 2016, to June 30, 2016, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal and Modified Terminal Funding

Amortization Method – Level Percentage of Payroll, Closed

Remaining Amortization Period – Multiple bases from 14 to 19 years

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

Inflation – 3.25% wage inflation; 2.5% price inflation

Salary Increases – 3.25% to 6.55% including wage inflation

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

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

Mortality – The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other Information – New assumptions adopted based on the 5-year experience study for the period March 1, 2010, through February 28, 2015.

CITY OF WILLARD, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
REVENUES				
Taxes				
Ad valorem taxes	\$ 182,000	\$ 182,000	\$ 186,747	\$ 4,747
Sales taxes	793,500	870,050	915,832	45,782
Franchise taxes	312,700	325,000	317,699	(7,301)
Motor vehicle taxes	190,000	210,000	209,159	(841)
	<u>1,478,200</u>	<u>1,587,050</u>	<u>1,629,437</u>	<u>42,387</u>
Licenses and Permits				
Building permits	40,000	25,000	20,549	(4,451)
Merchants licenses	5,500	5,500	5,805	305
	<u>45,500</u>	<u>30,500</u>	<u>26,354</u>	<u>(4,146)</u>
Intergovernmental Revenues				
Grants	42,864	48,500	72,401	23,901
Charges for Services				
Planning and zoning	2,000	6,000	5,937	(63)
Rentals	92,000	92,000	81,515	(10,485)
	<u>94,000</u>	<u>98,000</u>	<u>87,452</u>	<u>(10,548)</u>
Fines and Forfeitures				
City court fines	79,000	95,000	79,563	(15,437)
Miscellaneous				
Donations	1,000	2,000	300	(1,700)
Interest	1,000	500	2,342	1,842
Other	5,000	45,500	43,534	(1,966)
	<u>7,000</u>	<u>48,000</u>	<u>46,176</u>	<u>(1,824)</u>
TOTAL REVENUES	<u>1,746,564</u>	<u>1,907,050</u>	<u>1,941,383</u>	<u>34,333</u>

CITY OF WILLARD, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
EXPENDITURES				
Current				
Administrative	261,392	244,100	221,803	22,297
Public safety	861,477	856,155	800,319	55,836
Streets	409,643	269,000	246,415	22,585
Planning and development	103,205	82,775	75,370	7,405
Emergency management	27,412	22,610	19,057	3,553
TOTAL EXPENDITURES	<u>1,663,129</u>	<u>1,474,640</u>	<u>1,362,964</u>	<u>111,676</u>
EXCESS OF REVENUES OVER EXPENDITURES	83,435	432,410	578,419	146,009
OTHER FINANCING (USES)				
Operating transfers (out)	<u>(50,000)</u>	<u>(332,000)</u>	<u>(392,615)</u>	<u>(60,615)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER (USES)	33,435	100,410	185,804	85,394
FUND BALANCE, January 1	<u>963,752</u>	<u>963,752</u>	<u>1,270,665</u>	<u>306,913</u>
FUND BALANCE, December 31	<u>\$ 997,187</u>	<u>\$ 1,064,162</u>	<u>\$ 1,456,469</u>	<u>\$ 392,307</u>

CITY OF WILLARD, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
REVENUES				
Taxes				
Ad valorem taxes	\$ 75,000	\$ 75,000	\$ 57,072	\$ (17,928)
Sales taxes	433,000	455,000	467,618	12,618
	<u>508,000</u>	<u>530,000</u>	<u>524,690</u>	<u>(5,310)</u>
Charges for services				
Rental income	14,500	14,500	13,195	(1,305)
Adult and youth programs	204,000	219,000	215,634	(3,366)
Facility	40,000	35,000	30,518	(4,482)
Swimming pool	90,000	70,000	69,870	(130)
Special events	28,500	17,000	15,459	(1,541)
Advertising	25,000	25,000	20,825	(4,175)
Concessions	45,000	45,000	39,272	(5,728)
Park	3,000	3,000	2,505	(495)
	<u>450,000</u>	<u>428,500</u>	<u>407,278</u>	<u>(21,222)</u>
Miscellaneous				
Interest	1,000	500	545	45
Other	2,000	1,200	367	(833)
	<u>3,000</u>	<u>1,700</u>	<u>912</u>	<u>(788)</u>
TOTAL REVENUES	961,000	960,200	932,880	(27,320)
EXPENDITURES				
Current				
Parks and recreation	681,460	733,435	694,905	38,530
Debt service				
Principal and interest	296,600	298,100	298,056	44
TOTAL EXPENDITURES	978,060	1,031,535	992,961	38,574
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	(17,060)	(71,335)	(60,081)	11,254
OTHER FINANCING SOURCES				
Operating transfers in	100,000	109,000	392,615	283,615
TOTAL OTHER FINANCING SOURCES	100,000	109,000	392,615	283,615
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES				
	82,940	37,665	332,534	294,869
FUND BALANCE (DEFICIT), January 1	78,867	78,867	(142,238)	(221,105)
FUND BALANCE , December 31	<u>\$ 161,807</u>	<u>\$ 116,532</u>	<u>\$ 190,296</u>	<u>\$ 73,764</u>

CITY OF WILLARD, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2016

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 REPORTING REQUIREMENTS



**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, 2016, 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 10, 2017.

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.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

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*.

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 10, 2017