CITY OF WILLARD, MISSOURI

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2005

CITY OF WILLARD, MISSOURI
Audit Report
December 31, 2005

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McCULLOUGH, OFFICER & COMPANY, L.L.C.

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TERRY L. McCULLOUGH, CPA
LISA C. OFFICER, CPA
SCOTT E. BONACKER, CPA

820 E. PRIMROSE
SPRINGFIELD, MISSOURI 65807
PHONE: 417.883.1212 • FAX: 417.883.4887
E-MAIL: moccpa.com

SANDY K. IPOCK, CPA, CFE
BETH K. SCHMIDT, CPA
DIANE R. SMITH, CPA

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willard, Missouri as of and for the year ended December 31, 2005 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Willard, Missouri's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, City of Willard, Missouri prepares its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Willard, Missouri as of December 31, 2005 and the respective changes in financial position – cash basis thereof for the year then ended on the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McCullough, Officer + Co. LLC

July 25, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The City of Willard's annual financial report presents management's narrative discussion and analysis of the City's overall financial performance during the fiscal year ended December 31, 2005. Please read this in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

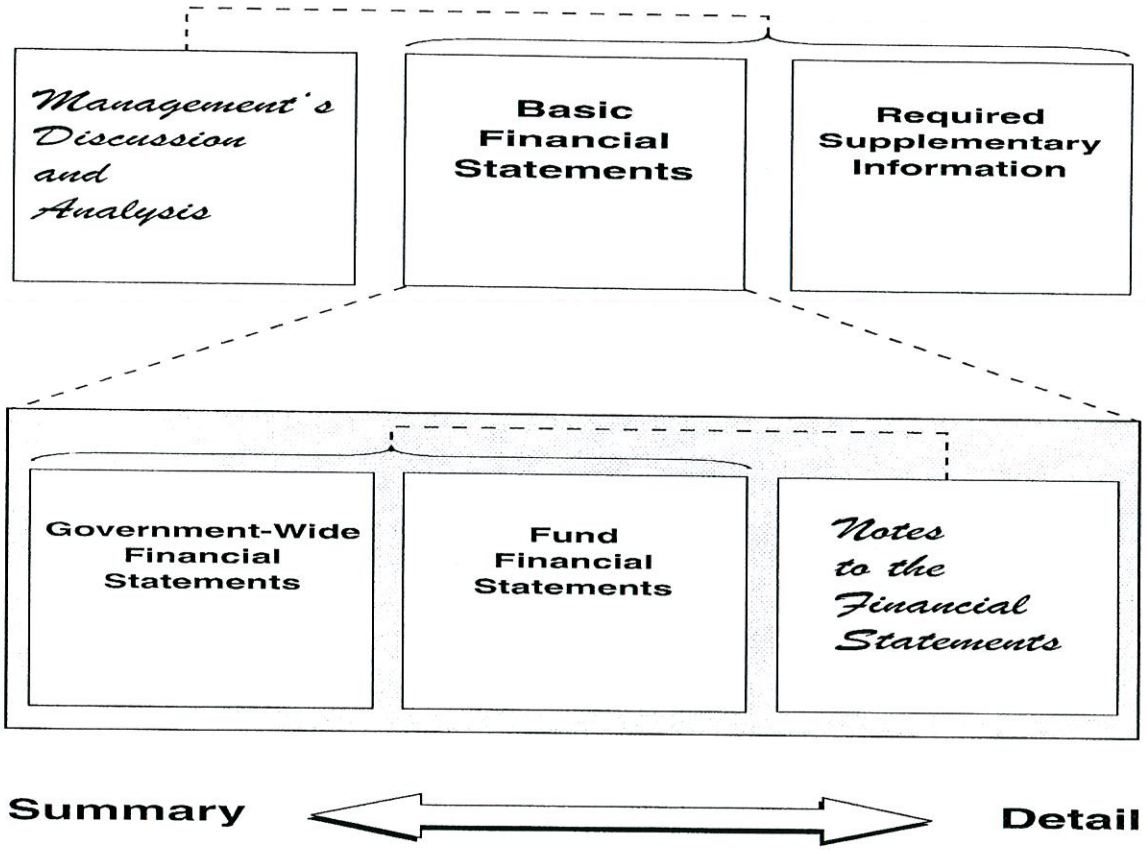
- The City's total combined net assets were $6,640,879 on December 31, 2005, an increase of $118,285 over the previous fiscal year combined net assets of $6,522,594.
- During the year, the City's expenses were $2,495 more than the $1,860,506 generated in taxes, program revenues and other revenues for governmental activities.
- Proprietary Fund net assets totaled $5,002,082.
- Governmental Fund net assets total $1,638,796.
- At the close of the fiscal year, the fund balances for the Governmental Funds were $621,777, an increase of $3,303 and the Proprietary Fund was $5,002,082, an increase of $40,480.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial statement consists of three parts; management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses.

Figure A-1



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Major Features of the City's Government-wide and Fund Financial Statements

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the city government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

Fund Statements

Type of statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses; self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary
	Statement of activities	Statement of revenues expenditures & changes in fund balances	Statement of revenues expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic focus	Modified accrual accounting and current	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long term	All assets and liabilities, both short-term and long- term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year regardless of when cash is received or paid

Figure A-2 displays a summary chart relating to the Financial Statements. It displays the type of statement, their measurement focus, the specific statements required, the basis of accounting used for each statement, the type of asset and liability information and type of inflow and outflow information required for each fund type. This is meant to give a quick overview of the purpose of each statement type.

Government-wide Financial Statements

The government-wide financial statements provide information about the City as a whole using accounting methods similar to those used by private-sector companies.

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

The **Statement of Activities** presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety, public works, administration and parks. Taxes, fees, charges for services, and grants finance most of these activities. The business-type activities of the City include the water and sewer operations of the City.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds; not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City maintains the following types of funds:

- **Governmental Funds:** Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them. The City adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A Budgetary comparison schedule has been provided for the General Fund and Park Fund to demonstrate compliance with the budget and is presented as required supplemental information.

- **Proprietary Funds:** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There are two different types of proprietary funds, enterprise and internal service funds. The City currently uses only the enterprise fund type to account for its water and sewer operations.
  - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.
  - If used, internal service funds are used to accumulate and allocate costs internally among the City's various functions.

Notes to the financial statements.

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

Other information.

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. The combining statements referred to earlier in connection with non major funds and internal service funds are presented immediately after the basic financial statements. Also, included are budget comparisons for governmental funds other than the General Fund.

GOVERNMENT-WIDE FINANCIAL STATEMENTS / ANALYSIS

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets were $6,640,879 at December 31, 2005. (See Table A-1).

The largest portion of the City's net assets reflects investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets, that is still outstanding. The City uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A very small portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($758,859) may be used to meet the City's ongoing obligations to citizens and creditors.

Table A-1

City of Willard

Government-wide Statement of Net Assets

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current and other assets	$633,915	$1,063,030	$1,696,946
Capital Assets	3,011,019	5,149,328	8,160,347
Total Assets	$3,644,935	$6,212,358	$9,857,293
LIABILITIES			
Other Liabilities	$106,138	$216,589	$322,727
Long Term Debt	1,900,000	993,687	2,893,687
Total Liabilities	$2,006,138	$1,210,276	$3,216,414
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	$1,017,019	$4,031,228	$5,048,247
Restricted	155,010	678,763	833,773
Unrestricted	466,768	292,091	758,859
Total Net Assets	$1,638,797	$5,002,082	$6,640,879

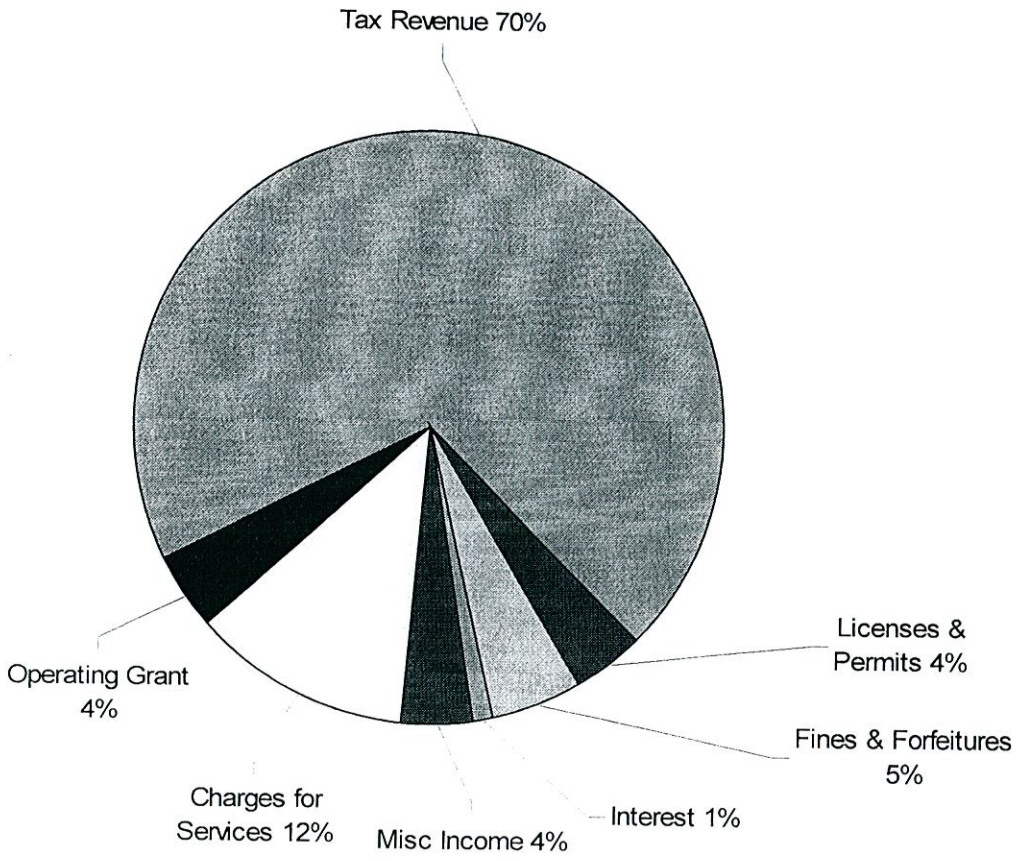
Governmental Activities increased the City's total net assets by $77,805, resulting in net assets from governmental activities of $1,638,797. Primary segments of this figure were as follows:

- A gain on asset disposal of $4,124 primarily from the sale of outdated equipment
- The City was able to enjoy a growth total in overall tax collections which includes the property taxes, franchise taxes and the general, storm water/park, capital improvements, and transportation sales taxes, to $831,632. This was approximately $25,328 above the previous year's collections.

Business-type activities increased the City's total net assets by $40,480, resulting in net assets from business-type activities of $5,002,082. Primary segments of this increase were as follows:

The City's total revenues are represented in Table A-2.

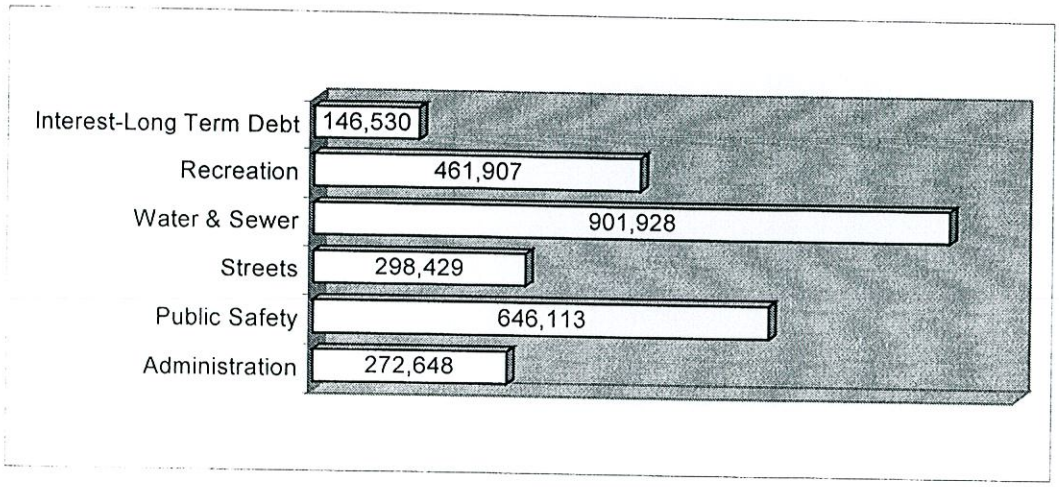
City-Wide Revenues



CITY OF WILLARD
GOVERNMENT WIDE STATEMENT OF ACTIVITIES

	Governmental Activities	Business-Type Activities	Total
REVENUES			
Program Revenues:			
Charges for services	$ 375,400	$ 865,710	$ 1,241,110
Capital grants & contributions	57,777		57,777
General Revenues:			
Taxes	1,344,283		1,344,283
Interest	10,936	22,479	33,415
Developer fees		93,020	93,020
Miscellaneous	72,110		72,110
Gain (loss) on disposal of property	4,124		4,124
Total Revenues	1,864,630	981,209	2,845,839
EXPENSES			
Administration	272,648		272,648
Public Safety	646,113		646,113
Street	298,429		298,429
Recreation	461,907		461,907
Interest on Long Term Debt	107,729	38,801	146,530
Water and Sewer		901,928	901,928
Total Expenses	1,786,826	940,729	2,727,555
INCREASE (DECREASE) IN NET ASSETS	77,804	40,480	118,284
NET ASSETS AT BEGINNING OF YEAR	1,560,992	4,961,602	6,522,594
NET ASSETS AT END OF YEAR	1,638,796	5,002,082	6,640,878

Table A-3 presents the total cost of each of the city's departments.



- The cost of all program and business-type activities in 2005 was $2,727,555.
- Some of the costs were paid by those who directly benefited from the programs; such as water and sewer services, $865,710, or licenses, fines and park programs of $375,400;
- Or, by grants of $57,777.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The General Fund is the chief operating fund of the City of Willard. The General Fund includes departments of General City Government, Public Safety, Streets, Community Building, Emergency Management, and Planning and Development. All of these activities are provided to, and benefit all of the citizens equally and equitably. At the end of the current fiscal year, the total fund balance of the General Fund was $364,511, a decrease of $50,876 over the beginning balance of $415,387.

The Park Fund was established by the City to account for the revenue and expenses associated with the Park and Recreation activities of the City of Willard. At the end of the current fiscal year, the total fund balance of the Park Fund was $257,267, an increase of $54,180 over the beginning fund balance of $203,087.

Proprietary Funds

Combined Water and Sewer Funds – The Combined Water and Sewer Funds are based on a User Fee system where the individuals and businesses utilizing the service pay a fee based upon a portion of the estimated cost of operation of the system. At the end of the current fiscal year, the total fund balance of the Water and Sewer Fund was $5,002,082, an increase of $40,480 over the beginning balance of $4,961,602. This figure includes contributed capital.

General Fund Budgetary Highlights

Over the course of the year, the City revised the budget two (2) times . Even with these adjustments, actual expenditures were below final budget amounts in the General Fund. Total expenditures in the General Fund were $1,266,898 and actual expenditures were $1,275,077

On the revenue side, the budgeted amount before adjustments was $1,120,962, with actual revenues in the General Fund totaling $1,113,065. As noted earlier:

- Sales tax, fuel tax, and franchise collections were more than expected.
- Payments of taxes exceeded projections.
- Increased park and pool receipts, fines and forfeitures and grant revenues resulted in a positive variance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for all activities as of December 31, 2005, amounted to $8,130,934. This investment in capital assets included land, buildings, improvements, machinery and equipment, and the water and sewer system. Reporting of the City's major infrastructure assets extends only to the assets which were completed in the current fiscal year, in which prior year costs for such projects were included. The City's fiscal year 2005 capital budget allocated $247,000 for capital equipment and projects, including: 1 replacement police vehicle, improvements to soccer park, computer upgrades, tools for the Public Works Dept.,and two hundred new water meters. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the City had $3,104,000 in long-term obligations outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5

Long Term Debt Obligations

	31-Dec-04
Waterworks Revenue	$220,000
01 Certificates - Park	1,480,000
92 Certificates - Park	335,000
Police Bdlg - Lease	179,000
Utility Bonds	395,000
05 Sewer Bonds	495,000
Totals	$3,104,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Total General Revenue Fund revenues are projected to increase approximately 5% from the budgeted amount for Fiscal 2006. The current budget for 2005 will be amended to reflect this increase. Increases are projected in all areas of revenue due to the growth of the city, residential and commercial. Property tax rates for 2006, set in August, will maintain the same levy. Increases will be due to new housing starts and valuation increases. Motor fuel funds are paid each month per capita and will not increase significantly until a census amendment is done or the new census in 2010. Sales tax revenues will continue to increase due to population growth and new commercial development.

Total expenditures budgeted for Fiscal 2006 are $3,810,700. City personnel increased in 2005 due to increased work loads caused by growth in the city. New equipment in each department continues to be a need. Capital and capital projects are being proposed based on the needs presented by the Department Heads.

The 2006 Budget for the General Fund provides for capital equipment for the various departments to maintain current service levels. Total capital expenditures in the fund amounts to $155,000. This includes an adjustment to the Police Department capital asset expenditures of $83,000 for the adjustment by Greene County to the Law Enforcement Sales Tax. These funds will be spent to complete the infill projects for the Police Department building. The Park Fund budget provides $92,000 for new equipment and capital projects. Scheduled projects include baseball dugout improvements, replace lifeguard stands, playground equipment, soccer park improvements, and pool house improvements.

During 2005, the City invested large amounts in repairs and upgrades of the utility system. The City raised utility rates during the fourth quarter of 2005 by 56%. Several large scale improvements are to be made to the water/sewer system during fiscal year 2006. These improvements are to include larger main installation, chlorination, and improvements to wells and lift stations.

The goal for 2006-2007 time frame is to improve the water system for increased fire flow and to meet the required storage needs. A wastewater study will be conducted to determine the future direction for system improvements and growth.

The Park Department will make significant improvements to the public pool in 2006 and expand the playground equipment at the West Park. The Park Department continues to add adult and youth programs. The fifteen acres purchased in early 2005 continues to be improved to provide the park system to expand its soccer program

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer's or City Finance Office.

CITY OF WILLARD, MISSOURI
Government-wide Statement of Net Assets - Cash Basis
December 31, 2005 with Comparative Data

	December 31, 2005			Comparative Data
	Governmental Activities	Business-Type Activities	Total	December 31, 2004
ASSETS				
Cash and cash equivalents	$ 229,306	$ 304,746	$ 534,052	$ 193,626
Investments	61,478		61,478	405,131
Receivables				
Taxes	146,724		146,724	142,867
Other		221	221	316
Due from other funds	41,398		41,398	63,319
Restricted Assets				
Cash and cash equivalents	155,010	758,063	913,073	153,665
Investments			-	330,668
Capital Assets:				
Land	277,860	60,591	338,451	338,451
Building and improvements	2,507,142		2,507,142	2,507,142
Water and sewer system		6,796,904	6,796,904	6,699,263
Equipment	878,068	229,934	1,108,002	921,603
Construction in progress			-	3,450
Accumulated depreciation	(652,051)	(1,967,514)	(2,619,565)	(2,362,221)
Bond issuance costs, net		29,413	29,413	16,587
TOTAL ASSETS	3,644,935	6,212,358	9,857,293	9,413,867
LIABILITIES				
Current Liabilities:				
Accrued expenses		2,315	2,315	1,742
Customer deposits	12,138	77,875	90,013	73,058
Due to other funds		41,399	41,399	63,319
Current portion of long-term debt	94,000	95,000	189,000	165,468
Total Current Liabilities	106,138	216,589	322,727	303,587
Long-term Liabilities, net of current portion:				
Long-term debt	1,900,000	1,015,000	2,915,000	2,609,000
Deferred amount on refinancing		(21,313)	(21,313)	(21,314)
Total Long-term Liabilities	1,900,000	993,687	2,893,687	2,587,686
TOTAL LIABILITIES	2,006,138	1,210,276	3,216,414	2,891,273
NET ASSETS				
Invested in capital assets, net of related debt	1,017,019	4,031,228	5,048,247	5,330,688
Restricted	155,010	678,763	833,773	411,183
Unrestricted	466,768	292,091	758,859	780,723
TOTAL NET ASSETS	$ 1,638,797	$ 5,002,082	$ 6,640,879	$ 6,522,594

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI
Government-wide Statement of Activities - Cash Basis
For the year ended December 31, 2005 With Comparative Data

Program Activities	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets: Business-type Activities	December 31, 2005 Total	Comparative Data December 31, 2004
Governmental activities:								
Administration	$ 272,648	$ 72,497			$ (200,151)		$ (200,151)	$ (200,988)
Public safety	646,113	89,097		57,777	(499,239)		(499,239)	(459,619)
Street	298,429				(298,429)		(298,429)	(284,499)
Recreation	461,907	213,806			(248,101)		(248,101)	(263,824)
Interest on long-term debt	107,729				(107,729)		(107,729)	(112,648)
Total governmental activities	1,786,826	375,400	-	57,777	(1,353,649)	-	(1,353,649)	(1,321,578)
Business-type activities								
Water and sewer	901,928	865,710				(36,218)	(36,218)	(80,128)
Interest on long-term debt	38,801					(38,801)	(38,801)	(31,132)
Total Business-type activities	940,729	865,710	-	-	-	(75,019)	(75,019)	(111,260)
Total primary government	$ 2,727,555	$ 1,241,110	$ -	$ 57,777	(1,353,649)	(75,019)	(1,428,668)	(1,432,838)
General Revenues:								
Taxes					1,344,283		1,344,283	1,287,638
Interest and Investment Earnings					10,936	22,479	33,415	16,700
Developer fees						93,020	93,020	
Miscellaneous					72,110		72,110	131,021
Gain/(Loss) on asset disposal					4,124		4,124	(6,700)
Total General Revenues and transfers					1,431,453	115,499	1,546,952	1,428,659
Change in Net Assets					77,804	40,480	118,284	(4,179)
Net Assets at Beginning of Year					1,560,992	4,961,602	6,522,594	6,526,773
Net Assets at End of Year					$ 1,638,796	$ 5,002,082	$ 6,640,878	$ 6,522,594

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI
Balance Sheet - Cash Basis
Governmental Funds
December 31, 2005 With Comparative Data

	December 31, 2005			
	General Fund	Park Fund	Total Governmental Funds	Comparative Data December 31, 2004
ASSETS AND OTHER DEBITS				
Unrestricted Assets:				
Cash and cash equivalents	$ 176,937	$ 52,369	$ 229,306	$ 180,421
Investments	61,478		61,478	79,310
Receivables, net of allowance for doubtful accounts				
Taxes	112,390	34,334	146,724	142,867
Due from other funds	25,844	15,554	41,398	105,132
Restricted Assets:				
Cash and cash equivalents		155,010	155,010	153,665
TOTAL ASSETS AND OTHER DEBITS	$ 376,649	$ 257,267	$ 633,916	$ 661,395
LIABILITIES AND FUND BALANCES				
Due to other funds			$ -	$ 41,813
Customer deposits	$ 12,138		12,138	1,108
Total Liabilities	12,138	-	12,138	42,921
Fund Balances:				
Unreserved, reported in:				
General fund	364,511		364,511	415,387
Special revenue funds		102,257	102,257	49,422
Reserved, reported in:				
Special revenue funds		155,010	155,010	153,665
Total Fund balances	364,511	257,267	621,778	618,474
TOTAL LIABILITIES AND FUND BALANCES	$ 376,649	$ 257,267	$ 633,916	$ 661,395

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets - Cash Basis
December 31, 2005 With Comparative Data

	December 31, 2005	December 31, 2004
Total fund balance - total governmental funds	$ 621,778	$ 618,474
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,011,019	3,024,518
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	(1,994,000)	(2,082,000)
Net assets of governmental activities	$ 1,638,797	$ 1,560,992

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI
Statement of Revenues, Expenditures, and Changes in Fund Balances - Cash Basis
Governmental Funds
Year Ended December 31, 2005 With Comparative Data

	General Fund	Park Fund	December 31, 2005 Total Governmental Funds	Comparative Data December 31, 2004
REVENUES				
Tax revenues	$ 831,632	$ 512,651	$ 1,344,283	$ 1,287,638
License and permits	72,497		72,497	34,674
Fines and forfeitures	89,097		89,097	83,274
Charge for services		213,806	213,806	193,777
Intergovernmental revenues	57,777		57,777	44,053
Interest	5,149	5,787	10,936	6,271
Other	56,913	15,197	72,110	108,809
TOTAL REVENUES	1,113,065	747,441	1,860,506	1,758,496
EXPENDITURES				
Administrative	258,930		258,930	215,969
Public safety	609,389		609,389	559,575
Street	280,099		280,099	264,438
Recreation		408,948	408,948	410,242
Capital outlay	85,655	24,251	109,906	205,763
Debt service:				
Principal	23,000	65,000	88,000	87,000
Interest and fiscal fees	9,825	97,904	107,729	112,648
TOTAL EXPENDITURES	1,266,898	596,103	1,863,001	1,855,635
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(153,833)	151,338	(2,495)	(97,139)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	97,159	(97,159)	-	-
Sale of property and equipment	5,798		5,798	600
TOTAL OTHER FINANCING SOURCES (USES)	102,957	(97,159)	5,798	600
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(50,876)	54,179	3,303	(96,539)
FUND BALANCE (DEFICIT), January 1	415,387	203,087	618,474	715,013
FUND BALANCE (DEFICIT), December 31	$ 364,511	$ 257,266	$ 621,777	$ 618,474

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Of the Governmental funds to the Statement of Activities - Cash Basis
Year Ended December 31, 2005 With Comparative Data

	December 31, 2005	December 31, 2004
Net change in fund balances - total governmental funds	$ 3,303	$ (96,539)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay differs from depreciation in the current period.	(11,825)	91,279
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	88,000	87,000
In the statement of activities, only the gain on the sale of the assets is reported, whereas in the governmental fund statement, only the proceeds are reported, as an increase in financial resources. Thus, the change in net assets differs from the change in fund balance.	(1,674)	(7,300)
Change in net assets of governmental activities	$ 77,804	$ 74,440

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI
Statement of Net Assets - Cash Basis
Proprietary Funds
December 31, 2005 with Comparative Data

	December 31, 2005	December 31, 2004
ASSETS AND OTHER DEBITS		
Current assets:		
Cash and cash equivalents	$ 304,746	$ 339,026
Investments		
Receivables, net of allowance for doubtful accounts:		
Other	221	316
Total current assets	304,967	339,342
Restricted assets:		
Cash	758,063	330,668
Capital Assets		
Land	60,591	60,591
Equipment	229,934	107,536
Water plant	2,186,336	2,156,336
Sewer plant	4,610,568	4,542,927
Construction in progress	-	3,450
Less accumulated depreciation	(1,967,514)	(1,787,670)
Net capital assets	5,119,915	5,083,170
Bond issuance costs, net	29,413	16,587
TOTAL ASSETS	$ 6,212,358	$5,769,767
LIABILITIES		
Current Liabilities:		
Accrued expenses	$ 2,315	$ 1,742
Due to other funds	41,399	63,319
Water meter deposits	77,875	71,950
Current portion of long term debt	95,000	77,468
Total current liabilities	216,589	214,479
Noncurrent liabilities		
Revenue bonds payable	1,015,000	615,000
Deferred amount on refinancing	(21,313)	(21,314)
Total noncurrent liabilities	993,687	593,686
TOTAL LIABILITIES	1,210,276	808,165
Net Assets:		
Invested in capital assets, net of related debt	4,031,228	4,388,170
Restricted	678,763	257,518
Unrestricted	292,091	315,914
TOTAL NET ASSETS	$ 5,002,082	$4,961,602

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI
Statement of Revenues, Expenses and Changes in Net Assets - Cash Basis
Proprietary Funds
Year Ended December 31, 2005 With Comparative Data

	December 31, 2005	December 31, 2004
OPERATING REVENUES		
Water	$ 366,735	$ 282,492
Sewerage	497,766	427,713
Miscellaneous income	1,209	22,212
TOTAL OPERATING REVENUES	865,710	732,417
OPERATING EXPENSES		
Water services		
Depreciation and amortization	77,036	69,676
Personnel costs	129,299	95,657
Occupancy	134,321	110,107
Administrative	9,039	7,131
Outside services	4,934	12,252
Sewerage services		
Depreciation and amortization	106,489	97,253
Personnel costs	127,872	100,382
Occupancy	83,878	87,476
Administrative	12,097	5,050
Outside services	216,963	205,349
TOTAL OPERATING EXPENSES	901,928	790,333
OPERATING INCOME (LOSS)	(36,218)	(57,916)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	22,479	10,429
Developer fees	93,020	
Interest expense and agent fees	(38,801)	(31,132)
TOTAL NON-OPERATING REVENUES (EXPENSES)	76,698	(20,703)
CHANGE IN NET ASSETS	40,480	(78,619)
TOTAL NET ASSETS, January 1	4,961,602	5,040,221
TOTAL NET ASSETS, December 31	$ 5,002,082	$ 4,961,602

See accompanying notes to the financial statements.

Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2005 With Comparative Data

	December 31, 2005	December 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 870,524	$ 713,289
Cash received from miscellaneous sources	1,209	22,212
Cash payments for personnel	(256,599)	(196,039)
Cash payments for materials and services	(483,152)	(378,477)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	131,982	160,985
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(216,590)	(197,682)
Interest and fees paid on revenue bonds	(36,269)	(31,132)
Revenue bond proceeds	495,000	
Principal paid on revenue bonds	(80,000)	(85,000)
Payment of bond issuance costs	(16,507)	2,532
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	145,634	(311,282)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from developers	93,020	
Interest on investments	22,479	10,429
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	115,499	10,429
NET INCREASE IN CASH AND RESTRICTED CASH	393,115	(139,868)
CASH AND RESTRICTED CASH, JANUARY 1	669,694	809,563
CASH AND RESTRICTED CASH, DECEMBER 31	$ 1,062,809	$ 669,695
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income (loss)	$ (36,218)	$ (57,916)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	183,525	166,929
Increase (decrease) in due to other funds	(21,920)	48,486
Increase (decrease) in other receivables	98	(316)
Increase (decrease) in accrued expenses	572	402
Increase (decrease) in customer meter deposits	5,925	3,400
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 131,982	$ 160,985

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Willard, Missouri is a fourth class City under Missouri State Statutes and is governed under a Mayor/Aldermen form of government. Willard provides a range of municipal services, including general government administration, public safety, recreation, planning and community development, street maintenance, and waterworks and sewerage.

A reporting entity consists of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. As required by generally accepted accounting principles, these financial statements present the City and any component units, entities for which the City is considered to be financially accountable. There are no component units of the City of Willard as defined by Statement No. 14 of the Governmental Accounting Standards Board. For financial reporting purposes, the City included all funds, agencies, boards, commissions and authorities that are controlled by or dependent on the City.

B. Basic Financial Statements

In accordance with GASB Statement 34-*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the City and its component units as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the cash basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the City (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted.

1. Summary of Significant Accounting Policies (Continued)

Invested in capital assets net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Administration, Public Safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other nonmajor funds, as well as the internal service funds, are combined in a single column on the fund financial statements.

The City reports both governmental funds, the General Fund and the Park Fund as major governmental funds and the City reports the Water and Sewer fund as a major enterprise fund.

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The accounts of the City are maintained, and the accompanying financial statements have been prepared, on the modified cash basis of accounting. Therefore, revenues and expenditures are recognized only when collected or paid, and receivables and current liabilities are not reflected in the financial statements, except for accrued taxes and fees, court bonds payable, and utility customer deposits payable.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989, for its business-type activities.

The governmental fund types the City has are:

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

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The business-type fund types the City has are:

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs of providing goods or services to the general public are financed or recovered primarily through user charges.

D. Budgets and Budgetary Practices

The Board of Aldermen is responsible for the preparation and approval of an annual operating budget for all funds of the City in accordance with Sections 67.010 to 67.080, RSMo 1986. Once approved the Board may amend the legally adopted budget when unexpected modifications are required. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the Board of Aldermen. Revisions to the budget were made throughout the year.

1. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the basic financial statements. These statements must display original budget, amended budget and actual results (on a budgetary basis).

E. Cash and Investments

Cash consists of amounts in demand deposits and certificates of deposit. The City considers all highly liquid investments maturing within three months to be cash equivalents. Cash balances are invested to the extent available. Investments include time deposits and certificates of deposit. Investments are stated at cost or amortized cost, which approximates market value.

F. Short-Term Interfund Receivables/Payables

During the course of operations, transactions occur which result in amounts owed to a particular fund by another fund, other than for goods provided or services rendered. These receivables and payables are due within a year and are classified as "due from/to other funds" on the balance sheet.

G. Restricted Assets

Restricted assets in the Park and Water and Sewer Fund represent cash and investments set aside for repayment of utility customer deposits, and expenditures for revenue bond proceeds. Certain resources set aside for debt repayment are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants.

H. Compensated Absences

The City's vacation policy allows full-time employees to earn one week of vacation leave annually after one year of employment, two weeks after working two consecutive years, three weeks after working five consecutive years, four weeks after working twelve or more consecutive years, and five weeks for those whose service has continued for 15 years or more. Employees are required to take their vacations and are not allowed to accumulate vacation leave unless work schedules dictate otherwise. Employees required to work through vacations are paid for their earned leave. An employee can transfer up to two weeks of vacation time if unused during the current year.

The City allows each full-time employee sick days based upon length of employment. Sick day accumulation begins at three months. Employees shall be allowed to accumulate 35 working days in sick leave, which may be carried over from one year to the next. No sick leave is paid upon termination of employment.

No leave liability is recorded in the financial statements, as utilization of accumulated vacation or sick leave by employees is not expected to have a material effect on City expenditures in any one year.

1. Summary of Significant Accounting Policies (Continued)

I. Property, Plant and Equipment

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. Under GASB No. 34, small Cities have the option to capitalize infrastructure purchased in previous years. The City of Willard has chosen not to capitalize existing infrastructure but will capitalize any future infrastructure that it acquires. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g. roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an individual cost of more than $1,000 and an estimated useful life greater than one year.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Equipment	5-15 years
Buildings	50 years
Sewer mains	50 years
Water towers and lines	20-50 years

J. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Property Taxes

Property taxes are levied on November 1 and payable by December 31. Taxes paid after December 31 are subject to penalties and interest. Property taxes attach as an enforceable lien on property as of January 1. The majority of property taxes are collected between November 1 and December 31, but the City collects delinquent taxes throughout the year.

Greene County collects the property taxes for the City and remits the taxes to the City on a monthly basis.

1. Summary of Significant Accounting Policies (Continued)

L. Statement of Cash Flows

For purposes of the statement of cash flows, the Water and Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

M. Encumbrances

Encumbrance accounting is not used by the City.

N. Bond Issuance Costs

Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method. They are presented as an asset in the financial statements.

O. Inter-fund Transfers

Transfers were budgeted and made between the Park Fund and the General Fund for Capital Improvement Sales Tax. These restricted revenues were originally posted all to the Park Fund and then a transfer was made to record the General Fund's share of this money.

2. Legal Compliance

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the City of Willard. The use of budgets and monitoring of equity status facilitate the City's compliance with legal requirements.

A. Budgetary Process

The budgets of the City are adopted on the cash basis, which is the basis consistent with the financial statements.

For the year ended December 31, 2005, the City of Willard was in compliance with state budget regulations.

B. Restricted Assets, Net Assets and Fund Balance

Park Fund

	Restricted Cash and Investments	Restricted Fund Balance
Reserved for debt service	$ 155,010	$ 155,010
Total Reserved - Park Fund	$ 155,010	$ 155,010

2. Legal Compliance (Continued)

B. Restricted Assets, Net Assets and Fund Balance (Continued)

Water and Sewer Fund

The 2002, 2003 and 2005 long term debt issue ordinances established certain deposit requirements for bond and interest sinking funds, reserve funds, and depreciation and replacement funds. At December 31, 2005, the required deposits had not been met, and therefore the City of Willard was not in compliance with the bond ordinance.

The Water and Sewer Fund's restricted assets are stated at cost and are composed of the following at December 31, 2005:

	Restricted Cash and Investments	Restricted Net Assets
Reserved for customer deposits	$ 79,300	$ -
Reserved for construction	$ 436,732	$ 436,732
Reserved for debt service	242,031	242,031
Total Reserved - Water/Sewer Fund	$ 758,063	$ 678,763

3. Cash and Equivalents

The City does not have formal investment policies for City monies. However, the City has determined through experience that checking accounts, money market accounts, time deposits and certificates of deposits are appropriate for its needs.

The City's deposits, including restricted assets, are stated at cost and are composed of the following:

Year Ended December 31, 2005	Book Carrying Amounts	Bank Balance
Petty Cash	$ 200	$ -
Checking Accounts (0 to 3.16 percent)	$ 182,528	$ 194,494
Money Market Accounts (0 to 3.97 percent)	785,431	785,431
Certificates of Deposit (3.75 percent)	61,478	61,478
Total	$ 1,029,637	$ 1,041,403
Deposits Held in Trust:		
Financial Square Trust Treasury Obligation Fund (3.27%)	478,963	478,963
Total	$ 1,508,600	$ 1,520,366

Of the total bank balance at December 31, 2005, $1,041,403 was covered by federal depositary insurance or by pledged collateral securities held by the City's custodial banks in the City's name.

To protect the safety of the City deposits, Section 110.020, RSMo 1986, requires depositaries to pledge collateral securities to secure City deposits not insured by the Federal Deposit Insurance Corporation. As the previous paragraph indicates, the City and its depositary banks were in compliance with the Missouri law.

Section 95.355, RSMo 1986, requires the City to enter into agreements with the banks selected as depositaries. The City does have formal depositary contracts with the banks.

4. Capital Assets

Capital asset activities for the year ended December 31, 2005 were as follows:

Governmental activities:

	Balance 1/1/2005	Additions	Retirements	Balance 12/31/2005
Land	$ 277,860	$ -		$ 277,860
Buildings & improvements	2,507,142			2,507,142
Equipment	814,067	102,382	(38,381)	878,068
Total	3,599,069	102,382	(38,381)	3,663,070
Less accumulated depreciation for:				
Buildings & improvements	317,665	54,635		372,300
Equipment	256,886	59,572	(36,707)	279,751
Total	574,551	114,207	(36,707)	652,051
Net capital asset	$ 3,024,518	$ (11,825)	$ (1,674)	$ 3,011,019

Business-type activities:

Land	$ 60,591			$ 60,591
Water and sewer system	6,699,263	97,642		6,796,905
Equipment	107,536	122,398		229,934
Work in progress	3,450		(3,450)	-
Total	6,870,840	220,040	(3,450)	7,087,430
Less accumulated depreciation for:				
Water and sewer system	1,720,238	157,946		1,878,184
Equipment	67,432	21,898		89,330
Total	1,787,670	179,844	-	1,967,514
Net capital asset	$ 5,083,170	$ 40,196	$ (3,450)	$ 5,119,916

Depreciation expense for the year ended December 31, 2005 is as follows:

Administration	$ 13,718
Public Safety	29,200
Street	18,330
Recreation	52,959
	$ 114,207

5. Long-Term Debt

The following is a summary of changes in long-term obligations of the City at December 31, 2005

	Balance January 1, 2005	Issues or Additions	Payments or Expenditures	Balance December 31, 2005	Due Within One Year
Governmental Activities:					
Park COP's-2001	$ 1,500,000		$ 20,000	$ 1,480,000	$ 25,000
Park COP's-2003	380,000		45,000	335,000	45,000
Police Building Lease-General Fd	202,000		23,000	179,000	24,000
Total governmental activities	$ 2,082,000	$ -	$ 88,000	$ 1,994,000	$ 94,000
Business-Type Activities:					
2002 Revenue Bonds	260,000		40,000	220,000	40,000
2003 Revenue Bonds	435,000		40,000	395,000	40,000
2005 Revenue Bonds	-	495,000		495,000	15,000
Total business-type activities	$ 695,000	$ 495,000	$ 80,000	$ 1,110,000	95,000
Unamortized loss on refunding				21,313	
				$ 1,088,687	$ 95,000
Total long-term debt	$ 2,777,000	$ 495,000	$ 168,000	$ 3,082,687	$ 189,000

A. Debt

2001 Certificates of Participation debt (COP's) used for construction of a recreation center, dated April 9, 2001, due in annual installments through August 1, 2021, bearing interest rates of 4.0% to 5.0%, interest payable semi-annually on February 1 and August 1.

2003 Refinancing COP's used for construction of park, dated October 15, 2003, due in annual installments through May 15, 2012, bearing interest rates of 1.625% to 4.20%, interest payable semi-annually on May 15 and November 15.

2002 Revenue Refunding Bonds used for water and sewer system improvements, dated March 27, 2002, due in annual installments through February 1, 2010, bearing interest rates of 2.375% to 4.50%, interest payable semi-annually on February 1 and August 1.

2003 Revenue Refunding Bonds used for water and sewer system improvements, dated May 12, 2003, due in annual installments through February 1, 2014, bearing interest rates of 3.40% to 4.00%, interest payable semi-annually on February 1 and August 1.

2005 COP's used for sewer system improvements, dated January 1, 2005, due in annual installments through January 15, 2017, bearing interest rates of 4.3% to 4.6%, interest payable semi-annually on January 15 and July 15.

5. Long-Term Debt (Continued)

A. Debt (Continued)

The City's annual debt service requirements to maturity on the bonds payable for principal and interest are as follows:

Year Ending December 31,	Principal	Interest	Total
2006	165,000	136,485	301,485
2007	170,000	131,338	301,338
2008	180,000	125,370	305,370
2009	195,000	118,478	313,478
2010	205,000	110,710	315,710
2011	170,000	103,038	273,038
2012	180,000	95,632	275,632
2013	140,000	88,410	228,410
2014	200,000	80,533	280,533
2015	165,000	71,779	236,779
2016	180,000	63,130	243,130
2017	240,000	52,650	292,650
2018	125,000	43,182	168,182
2019	140,000	35,838	175,838
2020	150,000	27,612	177,612
2021	320,000	18,800	338,800
	$ 2,925,000	$ 1,302,985	$ 4,227,985

The 2003 and 2002 Combined Waterworks and Sewerage System Refunding Revenue Bonds require disclosure of the following:

	Number of Customers
Beginning of Year	1,548
End of Year	1,651

Risk Coverage	Coverage Amount		Insurer	Expiration Date	Premium
Commercial property and inland marine	5,295,845		Land O' Lakes	1/1/2007	$ 37,857
General liability	2,000,000	per occurrence	Land O' Lakes	1/1/2007	incl above
Automobile liability	2,000,000	per occurrence	Land O' Lakes	1/1/2007	incl above
Boiler and machinery	500,000	each accident	Travelers	11/17/2006	$ 2,921
Worker's compensation	statutory		Mo Employers Mutual	11/17/2006	54,148

1.

5. Long-Term Debt (Continued)

B. Capitalized Lease Obligations

The City has entered into a cancelable lease for the construction of a police building. The asset has been capitalized at cost on the Government-wide Statement of Net Assets. Although the agreement provides for a cancellation clause each year, Section L20, "Leases," of the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards* addresses the legal restrictions imposed and for financial statement presentation these leases are accounted for as capital leases.

Future minimum lease payments for capital lease commitments are as follows:

Year Ending December 31,	Police Building Lease
2006	32,650
2007	32,450
2008	32,175
2009	32,850
2010	32,450
2011	32,975
2012	16,400
Total	211,950
Less amount to interest	(32,950)
Present value of lease payments	$ 179,000

The interest rate for the capitalized lease is 5% and is imputed based on the lessor's implicit rate of return.

5. Long-Term Debt (Continued)

C. Advance Refunding

In June, 2003, the City issued $480,000 of revenue refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of $445,000 of revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by $27,854. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is shorter than the life of the old debt. This advance refunding was undertaken to reduce total debt service payments over the next eleven years by $75,830.

6. 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 disaster. The City maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

7. Retirement Plan

A. Plan Description

The City of Willard participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

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

B. Funding Status

The City of Willard's full-time employees contribute 4% of their gross pay to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 6.2% (general) and 6.6% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2005, the political subdivision's annual pension cost of $68,817 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2003 and/or February 29, 2004 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at February 28, 2005 was 29 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2003	2004 was the initial year in the plan		
6/30/2004	$ 15,532	100%	$ -
6/30/2005	$ 68,817	100%	$ -

8. Retirement Plan (Continued)

C. Annual Pension Cost (Continued)

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2005	$ 68,671	$ 122,259	$ 53,588	56%	$ 701,682	8%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2001 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

SUPPLEMENTARY INFORMATION

CITY OF WILLARD, MISSOURI
Budgetary Comparison Schedule - Cash Basis
General Fund
Year Ended December 31, 2005

	Original Budget	Budget as Amended	Actual	Variance from amended Positive (Negative)
Revenues				
Tax Revenues	$ 831,100	$ 834,012	$ 831,632	$ (2,380)
License and permits	12,100	67,600	72,497	4,897
Fines and forfeitures	55,500	84,800	89,097	4,297
Intergovernmental revenue	-	55,000	57,777	2,777
Interest	6,500	3,750	5,149	1,399
Other	66,700	75,800	56,913	(18,887)
Total Revenues	971,900	1,120,962	1,113,065	(7,897)
Expenditures				
Administration	213,429	273,189	258,930	(14,259)
Public safety	536,077	615,977	609,389	(6,588)
Street	254,346	264,636	280,099	15,463
Capital outlay	44,200	84,025	85,655	1,630
Debt service:				
Principal	23,000	23,000	23,000	-
Interest and fees	9,825	14,250	9,825	(4,425)
Total Expenditures	1,080,877	1,275,077	1,266,898	(8,179)
Excess (Deficit) of Revenues Over Expenditures	(108,977)	(154,115)	(153,833)	282
Other Financing Sources (Uses)				
Transfer in (out)	120,000	100,000	97,159	(2,841)
Sale of property and equipment			5,798	5,798
Total Other Financing Sources (Uses)	120,000	100,000	102,957	2,957
Revenues and Other Sources Over (Under) Expenditures and Other Uses	11,023	(54,115)	(50,876)	3,239
Fund Balance, January 1	415,387	415,387	415,387	-
Fund Balance, December 31	$ 426,410	$ 361,272	$ 364,511	$ 3,239

See accompanying notes to the RSI.

CITY OF WILLARD, MISSOURI
Budgetary Comparison Schedule - Cash Basis
Park Fund
Year Ended Decmeber 31, 2005

	Original Budget	Budget as Amended	Actual	Variance from amended Positive (Negative)
Revenues				
Tax revenue	$ 481,400	$ 487,200	$ 512,651	$ 25,451
Charges for services	236,000	212,800	213,806	1,006
Interest	1,400	1,950	5,787	3,837
Other	12,200	11,500	15,197	3,697
Total Revenues	731,000	713,450	747,441	33,991
Expenditures				
Recreation	371,050	398,050	408,948	10,898
Capital outlay	74,200	34,000	24,251	(9,749)
Debt service:				
Principal	65,000	65,000	65,000	-
Interest and fees	98,300	99,000	97,904	(1,096)
Total Expenditures	608,550	596,050	596,103	53
Excess (Deficit) of Revenues Over Expenditures	122,450	117,400	151,338	33,938
Other Financing Sources (Uses)				
Transfer in (out)	(120,000)	(100,000)	(97,159)	2,841
Total Other Financing Sources (Uses)	(120,000)	(100,000)	(97,159)	2,841
Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,450	17,400	54,179	36,779
Fund Balance, January 1	203,087	203,087	203,087	-
Fund Balance, December 31	$ 205,537	$ 220,487	$ 257,266	$ 36,779

See accompanying notes to the RSI.

CITY OF WILLARD, MISSOURI
Notes to the Required Supplementary Information - Budget Comparisons
December 31, 2005

1. Budgetary Basis

Annual budgets are prepared in accordance with accounting principles generally accepted in the United States of America by the Board of Aldermen.

2. Budgetary Information

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level.

All budget revisions at this level are subject to final review by the Board of Aldermen. Revisions to the budget were made once during the year.

3. Excess of Expenditures over Appropriations

None