

CITY OF WILLARD, MISSOURI

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2007

CITY OF WILLARD, MISSOURI
 Audit Report
 December 31, 2007

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis (unaudited)	3 - 12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis	13
Statement of Activities – Cash Basis	14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Cash Basis	15
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets – Cash Basis	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Cash Basis	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities – Cash Basis	18
Proprietary Funds:	
Statement of Net Assets – Cash Basis	19
Statement of Revenues, Expenses and Changes in Net Assets – Cash Basis	20
Statement of Cash flows	21
Notes to the Basic Financial Statements	22 - 36
Required Supplementary Information:	
Budgetary Comparison Schedule –Cash Basis - Governmental Funds	37 - 38
Notes to Required Supplementary Information – Budget Comparisons.....	39

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, 2007 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

As described in Note 1, the City of Willard, Missouri prepares its financial statements on the modified cash basis 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 cash basis financial position 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, 2007 and the respective changes in cash basis financial position 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.

Officer CPA Firm LLC

July 21, 2008

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, 2007. Please read this in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

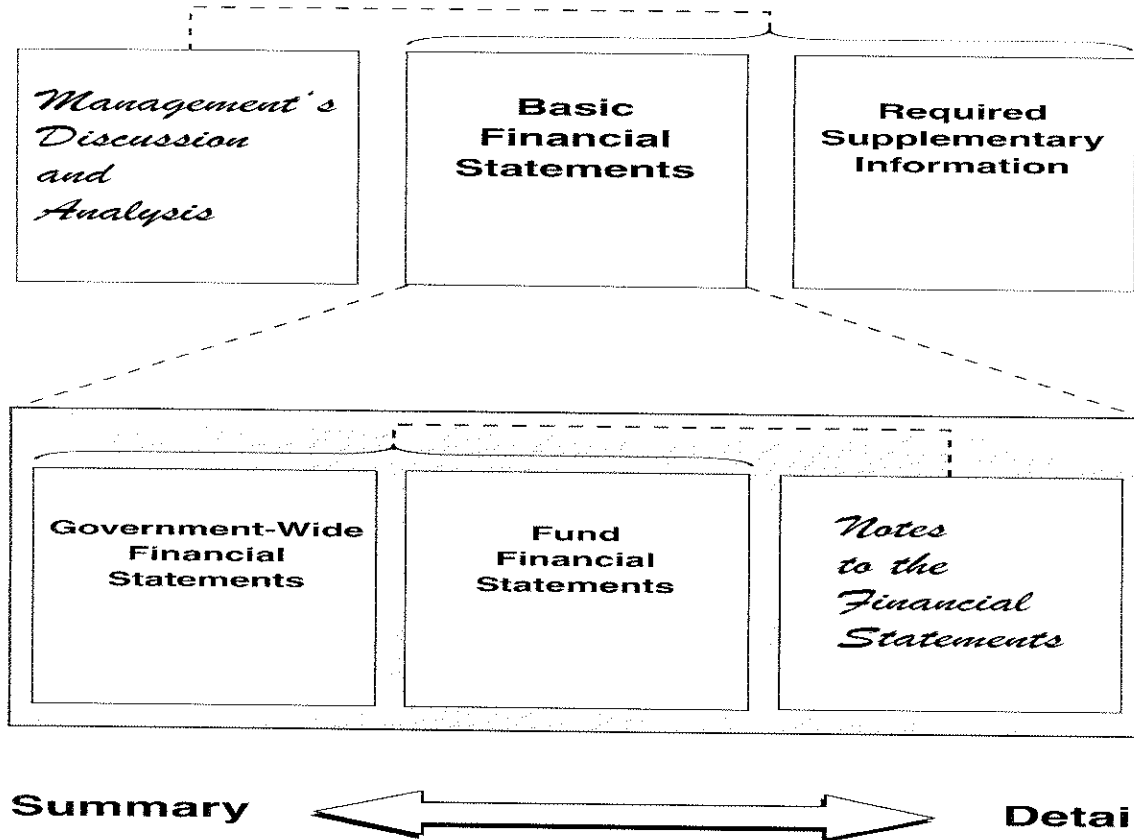
- The City's total combined net assets were \$7,588,546 on December 31, 2007, an increase of \$372,419 over the previous fiscal year combined net assets of \$7,216,127.
- Proprietary Fund net assets totaled \$5,542,374
- Governmental Fund net assets total \$2,046,172
- At the close of the fiscal year, the fund balances for the Governmental Funds were \$815,212, and the Proprietary Fund was \$5,542,375, an increase of \$138,043.

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
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 \$7,588,547 at December 31, 2007. (See Table A-1).

The largest portion of the City's net assets (72%) 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 (\$1,267,743) 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 <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current and other assets	\$830,097	\$1,406,584	\$2,236,681
Capital Assets	<u>3,166,035</u>	<u>5,141,876</u>	<u>8,307,911</u>
Total Assets	\$3,996,132	\$6,548,460	\$10,544,592
 LIABILITIES			
Other Liabilities	\$144,040	\$198,874	\$342,914
Long Term Debt	<u>1,805,920</u>	<u>807,212</u>	<u>2,613,132</u>
Total Liabilities	\$1,949,960	\$1,006,086	\$2,956,046
 NET ASSETS			
Investment in Capital Assets,			
Net of Related Debt	\$1,230,961	\$4,206,037	\$5,436,998
Restricted	70	883,735	883,805
Unrestricted	815,141	452,602	<u>1,267,743</u>
Total Net Assets	<u>\$2,046,172</u>	<u>\$5,542,374</u>	<u>\$7,588,546</u>

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
REVENUES			
Program Revenues			
Charges for Services	306,747	\$ 1,256,972	\$ 1,563,719
Capital Grants & Contributions	112,123		112,123
General Revenues			
Taxes	1,654,024		1,654,024
Interest & Investment	33,651	60,291	93,942
Miscellaneous	71,287		71,287
Gain (Loss) on Asset Disposal	(13,920)		(13,920)
	<hr/>		
Total Revenues	2,163,912	1,317,263	3,481,175
EXPENSES			
Administration	215,201		215,201
Public Safety	610,733		610,733
Street	285,028		285,028
Recreation	581,595		581,595
Planning and development	66,965		66,965
Emergency management	84,334		84,334
Interest on Long Term Debt	85,679	44,618	130,297
Water and Sewer		1,134,603	1,134,603
	<hr/>		
Total Expenses	1,929,535	1,179,221	3,108,756
INCREASE (DECREASE) IN NET ASSET	234,377	138,042	372,419
NET ASSETS AT BEGINNING	1,811,795	5,404,333	7,216,128
	<hr/>		
NET ASSETS AT END OF YEAR	2,046,172	5,542,375	7,588,547
	<hr/> <hr/>		

Governmental Activities increased the City's total net assets by \$234,377 resulting in net assets from governmental activities of \$2,046,072. Primary segments of this figure were as follows:

- The City was able to enjoy a growth total in overall tax collections which includes the property taxes, franchise taxes and the general, stormwater/park, capital improvements, and transportation sales taxes, to \$1,632,352.

Business-type activities increased the City's total net assets to \$5,542,374 from business-type activities of \$2,046,172. Primary segments of this increase were as follows:

- The cost of all activities in 2007 was \$3,108,756
- Some of the costs were paid by those who directly benefited from the programs; such as water and sewer services of \$1,256,972 or licenses, fines and park programs of \$306,747 or by grants of 112,123

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 \$409,101.

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 \$406,110.

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 \$5,542,375, an increase of \$138,043 over the beginning balance of \$5,404,333. 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 above final budget amounts in the General Fund by \$25,881. Total expenditures in the general fund were \$1,446,516.

On the revenue side, the budgeted amount before adjustments was \$1,302,792 with actual revenues in the General Fund totaling \$1,364,744. 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 its governmental activities as of December 31, 2007, amounted to \$8,285,861. 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 2007 capital budget allocated \$368,220 for capital equipment and projects, including: 1 replacement police vehicle, improvements to the soccer park, water line improvements, Phase Two Police Department remodel, and beginning remodeling/addition to City Hall. 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 \$2,865,111 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.

Statement of Long Term Debt

Waterworks Revenue	\$140,000
06 Certificates - Park	1,540,000
03Certificates - Park	245,000
Police Bdlg - Lease	130,000
Utility Bonds	310,000
05 Sewer	470,000
Telephone system capital lease	30111
Totals	<u>\$2,865,111</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Total General Revenue Fund revenues are projected to increase approximately 5% from the budgeted amount for Fiscal 2007. Increases are projected in all areas of revenue due to the growth of the city, residential and commercial.. Property tax rates for 2007, 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 the General Fund in Fiscal 2008 are \$1,697,618. City personnel are expected to increase in 2007 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 2008 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 \$118,100. Projects to be completed in 2008 include the City Hall addition and remodeling, and additional equipment for the Street Department. The replacement of public trees should be completed in 2008. These will replace the trees damaged or killed in the January, 2007, ice storm.

The Park Fund budget provides \$70,000. for new equipment and capital projects, such as the completion of the soccer complex. Scheduled projects include soccer field improvements, and maintenance equipment purchases. The Park Board continues to look for additional park land, particularly in the south area of Willard.

During 2007, the City invested large amounts in repairs and upgrades of the utility system. A master water plan was completed and approved by Missouri Department of Natural Resources. This will allow the city to continue with the new water lines without individual project approval. It should greatly speed up the rate of improvements the city will be able to accomplish. Cost of the Meadows system will be \$1.5 million with an additional \$500,000 to be included in the bond proceeds to purchase needed equipment to maintain the system. Significant improvements need to be made to both the water and sewer systems. These improvements will begin in fiscal year 2008 after completion of the purchase. Customer counts will increase by approximately 1200 for water customers and 267 for sewer customers.

The City of Willard is in the process of purchasing the Meadows Water System, located to the south of the Willard city limits. This will increase the infrastructure of the city water system by two wells and an elevated tower which holds 500,000 gallons. A sewer system is also part of the infrastructure included in the sale.

Cost of the Meadows system will be \$1.5 million with an additional \$500,000 to be included in the bond proceeds to purchase needed equipment to maintain the system. Significant improvements need to be made to both the water and sewer systems. These improvements will begin in fiscal year 2008 after completion of the purchase. Customer counts will increase by approximately 1200 for water customers and 267 for sewer customers.

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.

CITY OF WILLARD, MISSOURI
Government-wide Statement of Net Assets - Cash Basis
December 31, 2007 with Comparative Data

	December 31, 2007			Comparative Data December 31, 2006
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 594,528	\$ 405,389	\$ 999,917	\$ 804,032
Investments	67,422		67,422	63,993
Receivables				
Taxes	168,077		168,077	158,992
Other		180	180	72
Due from other funds		7,000	7,000	4,865
Restricted Assets				
Cash and cash equivalents	70	994,015	994,085	1,174,688
Capital Assets:				
Land	277,860	60,591	338,451	338,451
Building and improvements	2,691,694		2,691,694	2,507,142
Water and sewer system		7,067,087	7,067,087	6,987,683
Equipment	1,063,355	299,649	1,363,004	1,210,110
Accumulated depreciation	(866,874)	(2,307,501)	(3,174,375)	(2,917,129)
Bond issuance costs, net		22,050	22,050	25,732
TOTAL ASSETS	<u>3,996,132</u>	<u>6,548,460</u>	<u>10,544,592</u>	<u>10,358,631</u>
LIABILITIES				
Current Liabilities:				
Accrued expenses		2,897	2,897	2,639
Customer deposits	7,886	89,400	97,286	90,238
Due to other funds	7,000		7,000	4,865
Current portion of long-term debt	129,154	106,577	235,731	198,431
Total Current Liabilities	<u>144,040</u>	<u>198,874</u>	<u>342,914</u>	<u>296,173</u>
Long-term Liabilities, net of current portion:				
Long-term debt	1,805,920	823,460	2,629,380	2,865,112
Deferred amount on refinancing		(16,248)	(16,248)	(18,781)
Total Long-term Liabilities	<u>1,805,920</u>	<u>807,212</u>	<u>2,613,132</u>	<u>2,846,331</u>
TOTAL LIABILITIES	<u>1,949,960</u>	<u>1,006,086</u>	<u>2,956,046</u>	<u>3,142,504</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,230,961	4,206,037	5,436,998	5,081,495
Restricted	70	883,735	883,805	1,087,523
Unrestricted	815,141	452,602	1,267,743	1,047,109
TOTAL NET ASSETS	<u>\$ 2,046,172</u>	<u>\$ 5,542,374</u>	<u>\$ 7,588,546</u>	<u>\$ 7,216,127</u>

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI
Government-wide Statement of Activities - Cash Basis
For the year ended December 31, 2007 With Comparative Data

Program Activities	December 31, 2007						Comparative Data Dec. 31, 2006
	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Administration	\$ 215,201	\$ 49,894	\$ 22,986		\$ (142,321)		\$ (79,380)
Public safety	610,733	55,242			(555,491)		(565,065)
Street	285,028				(285,028)		(292,095)
Recreation	581,595	201,611		41,348	(338,636)		(316,891)
Planning and development	66,965				(66,965)		(46,036)
Emergency management	84,334		47,789		(36,545)		(27,652)
Interest on long-term debt	85,679				(85,679)		(146,333)
Total governmental activities	1,929,535	306,747	70,775	41,348	(1,510,665)		(1,473,452)
Business-type activities							
Water and sewer	1,134,603	1,256,972			122,369		402,410
Interest on long-term debt	44,618				(44,618)		(48,457)
Total Business-type activities	1,179,221	1,256,972	-	-	77,751		353,953
Total primary government	\$ 3,108,756	\$ 1,563,719	\$ 70,775	\$ 41,348	(1,510,665)	77,751	(1,119,499)
General Revenues:							
Taxes					1,654,024		1,549,534
Interest and Investment Earnings					33,651	60,291	73,684
Miscellaneous					71,287		116,625
Gain/(Loss) on asset disposal					(13,920)		(45,094)
Total General Revenues and transfers					1,745,042	60,291	1,694,749
Change in Net Assets					234,377	138,042	575,250
Net Assets at Beginning of Year					1,811,795	5,404,333	6,640,878
Net Assets at End of Year					\$ 2,046,172	\$ 5,542,375	\$ 7,216,128

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI
 Balance Sheet - Cash Basis
 Governmental Funds
 December 31, 2007 With Comparative Data

			Dec. 31, 2007	Comparative
	General	Park	Total	Data
	Fund	Fund	Governmental	Dec. 31, 2006
			Funds	
ASSETS AND OTHER DEBITS				
Unrestricted Assets:				
Cash and cash equivalents	\$ 234,207	\$ 360,321	\$ 594,528	\$ 510,975
Investments	67,422		67,422	63,993
Receivables, net of allow. for doubtful accounts				
Taxes	128,908	39,169	168,077	158,992
Due from other funds		6,550	6,550	91,235
Restricted Assets:				
Cash and cash equivalents		70	70	135,074
TOTAL ASSETS AND OTHER DEBITS	\$ 430,537	\$ 406,110	\$ 836,647	\$ 960,269
LIABILITIES AND FUND BALANCES				
Due to other funds	\$ 13,550		\$ 13,550	\$ 96,100
Customer deposits	\$ 7,886		7,886	4,988
Total Liabilities	21,436	-	21,436	101,088
Fund Balances:				
Unreserved, reported in:				
General fund	409,101		409,101	490,774
Special revenue funds		406,040	406,040	233,333
Reserved, reported in:				
Special revenue funds		70	70	135,074
Total Fund balances	409,101	406,110	815,211	859,181
TOTAL LIABILITIES AND FUND BALANCES	\$ 430,537	\$ 406,110	\$ 836,647	\$ 960,269

CITY OF WILLARD, MISSOURI

Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets - Cash Basis

December 31, 2007 With Comparative Data

	December 31, 2007	December 31, 2006
Total fund balance - total governmental funds	\$ 815,211	\$ 859,181
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,166,035	2,984,976
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.	(1,935,074)	(2,032,362)
Net assets of governmental activities	<u>\$ 2,046,172</u>	<u>\$ 1,811,795</u>

CITY OF WILLARD, MISSOURI
Statement of Revenues, Expenditures, and Changes in Fund Balances - Cash Basis
Governmental Funds
Year Ended December 31, 2007 With Comparative Data

	General Fund	Park Fund	December 31, 2007 Total Governmental Funds	Comparative Data December 31, 2006
REVENUES				
Tax revenues	\$ 1,120,975	\$533,049	\$ 1,654,024	\$ 1,549,534
License and permits	49,894		49,894	76,174
Fines and forfeitures	55,242		55,242	90,269
Charge for services		201,611	201,611	235,018
Intergovernmental revenues	70,775	41,348	112,123	39,557
Interest	21,252	12,400	33,652	25,386
Other	46,606	24,681	71,287	116,625
TOTAL REVENUES	<u>1,364,744</u>	<u>813,089</u>	<u>2,177,833</u>	<u>2,132,563</u>
EXPENDITURES				
Administrative	238,937		238,937	217,054
Public safety	744,568		744,568	620,171
Street	275,687		275,687	286,026
Recreation		629,444	629,444	545,701
Planning and development	66,965		66,965	46,036
Emergency management	84,334		84,334	27,652
Debt service:				
Principal	25,000	60,000	85,000	1,599,118
Interest and fiscal fees	11,025	86,942	97,967	102,052
TOTAL EXPENDITURES	<u>1,446,516</u>	<u>776,386</u>	<u>2,222,902</u>	<u>3,443,810</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(81,772)</u>	<u>36,703</u>	<u>(45,069)</u>	<u>(1,311,247)</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds			-	1,593,199
Debt issuance costs			-	(45,398)
Sale of property and equipment	100	1,000	1,100	850
TOTAL OTHER FINANCING SOURCES (USES)	<u>100</u>	<u>1,000</u>	<u>1,100</u>	<u>1,548,651</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(81,672)</u>	<u>37,703</u>	<u>(43,969)</u>	<u>237,404</u>
FUND BALANCE (DEFICIT), January 1	<u>490,773</u>	<u>368,407</u>	<u>859,180</u>	<u>621,776</u>
FUND BALANCE (DEFICIT), December 31	<u>\$ 409,101</u>	<u>\$406,110</u>	<u>\$ 815,211</u>	<u>\$ 859,180</u>

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, 2007 With Comparative Data

	December 31, 2007	December 31, 2006
Net change in fund balances - total governmental funds	\$ (43,969)	\$ 237,404
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.	196,079	25,497
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.	97,287	(38,362)
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.	(15,020)	(546)
Change in net assets of governmental activities	<u>\$ 234,377</u>	<u>\$ 223,993</u>

CITY OF WILLARD, MISSOURI
Statement of Net Assets - Cash Basis
Proprietary Funds
December 31, 2007 with Comparative Data

	December 31, 2007	December 31, 2006
ASSETS AND OTHER DEBITS		
Current assets:		
Cash and cash equivalents	\$ 405,389	\$ 293,057
Due from other funds	7,000	4,865
Receivables, net of allowance for doubtful accounts:		
Other	180	72
Total current assets	<u>412,569</u>	<u>297,994</u>
Restricted assets:		
Cash	<u>994,015</u>	<u>1,039,614</u>
Capital Assets		
Land	60,591	60,591
Equipment	299,649	245,421
Water plant	2,404,665	2,352,125
Sewer plant	4,662,422	4,635,558
Less accumulated depreciation	<u>(2,307,501)</u>	<u>(2,152,414)</u>
Net capital assets	<u>5,119,826</u>	<u>5,141,281</u>
Bond issuance costs, net	<u>22,050</u>	<u>25,732</u>
TOTAL ASSETS	<u><u>\$ 6,548,460</u></u>	<u><u>\$ 6,504,621</u></u>
LIABILITIES		
Current Liabilities:		
Accrued expenses	\$ 2,897	\$ 2,639
Due to other funds		
Water meter deposits	89,400	85,250
Current portion of long term debt	<u>106,577</u>	<u>101,143</u>
Total current liabilities	<u>198,874</u>	<u>189,032</u>
Noncurrent liabilities		
Revenue bonds payable	820,000	920,000
Lease purchase payable	3,460	10,038
Deferred amount on refinancing	<u>(16,248)</u>	<u>(18,781)</u>
Total noncurrent liabilities	<u>807,212</u>	<u>911,257</u>
TOTAL LIABILITIES	<u>1,006,086</u>	<u>1,100,289</u>
Net Assets:		
Invested in capital assets, net of related debt	4,206,037	4,128,881
Restricted	883,735	952,449
Unrestricted	<u>452,602</u>	<u>323,002</u>
TOTAL NET ASSETS	<u><u>\$ 5,542,374</u></u>	<u><u>\$ 5,404,332</u></u>

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, 2007 With Comparative Data

	December 31, 2007	December 31, 2006
OPERATING REVENUES		
Water	\$ 554,597	\$ 578,594
Sewerage	700,913	737,938
Miscellaneous income	1,462	2,585
	<u>1,256,972</u>	<u>1,319,117</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Water services		
Depreciation and amortization	85,347	82,121
Personnel costs	156,893	130,591
Occupancy	178,728	144,517
Administrative	8,627	9,534
Outside services	101,969	5,744
Sewerage services		
Depreciation and amortization	111,421	110,072
Personnel costs	155,913	132,772
Occupancy	74,588	73,312
Administrative	11,515	7,536
Outside services	249,602	220,508
	<u>1,134,603</u>	<u>916,707</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	<u>122,369</u>	<u>402,410</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	60,291	48,298
Interest expense and agent fees	(44,618)	(48,457)
	<u>15,673</u>	<u>(159)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)		
CHANGE IN NET ASSETS	138,042	402,251
TOTAL NET ASSETS, January 1	<u>5,404,333</u>	<u>5,002,082</u>
TOTAL NET ASSETS, December 31	<u>\$ 5,542,375</u>	<u>\$ 5,404,333</u>

See accompanying notes to the financial statements.

Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2007 With Comparative Data

	December 31, 2007	December 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,261,014	\$ 1,326,641
Cash payments for personnel	(314,941)	(263,363)
Cash payments for materials and services	(624,771)	(507,091)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>321,302</u>	<u>556,187</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(171,632)	(209,878)
Interest and fees paid on revenue bonds	(42,085)	(45,925)
Debt proceeds		19,099
Principal paid on revenue bonds	(101,144)	(97,918)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(314,861)</u>	<u>(334,622)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	60,291	48,298
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>60,291</u>	<u>48,298</u>
NET INCREASE IN CASH AND RESTRICTED CASH	66,732	269,863
CASH AND RESTRICTED CASH, JANUARY 1	<u>1,332,672</u>	<u>1,062,809</u>
CASH AND RESTRICTED CASH, DECEMBER 31	<u><u>\$ 1,399,404</u></u>	<u><u>\$ 1,332,672</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income (loss)	\$ 122,369	\$ 402,410
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	196,768	192,193
Increase (decrease) in due to other funds	(2,135)	(46,264)
Increase (decrease) in other receivables	(108)	149
Increase (decrease) in accrued expenses	258	324
Increase (decrease) in customer meter deposits	4,150	7,375
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u><u>\$ 321,302</u></u>	<u><u>\$ 556,187</u></u>

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

As further discussed in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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. Basis of Presentation

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.

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

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 economic resources and measurement focus and the modified cash basis of accounting, which includes long-term debt and receivables. The government-

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate cash basis 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.

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

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

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.

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.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

All governmental funds utilize a “current financial resources” measurement focus. Only currently financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or non financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

The accounts of the City are maintained, and the accompanying financial statements have been prepared and presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Cash and Investments

Except for cash in certain restricted and special funds, the City consolidates cash balances from all funds to maximize investment earnings. For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents. Each fund's portion of total cash and investments is summarized by fund type in the combined balance sheet as cash and cash equivalents. Statutes impose various restrictions on deposits and investments, these restrictions are summarized as follows:

Deposits. Certificates of deposits must be collateralized in an amount such that the market value of the collateral is at least 100% of the investment. The collateral must be held by the non-affiliated custodial facility.

Investments. The investments shall be diversified to minimize the risk of loss. The City is authorized to make investments in U.S. treasuries and securities, and collateralized time and demand deposits.

E. 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.

F. 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

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

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.

G. 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

H. 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.

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

I. 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.

J. 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.

K. Encumbrances

Encumbrance accounting is not used by the City.

L. 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.

M. Inter-fund Transfers

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that should have been applied to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as operating transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Net Assets

Net Assets represent the difference between assets and liabilities. Net assets are displayed in two different components: Restricted net assets and Unrestricted net assets. Restricted net assets are reported when there are limitations on the use by external restrictions, such as through creditors, grantors, contributors, laws or regulations. All other assets that do not meet the above definitions are unrestricted.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF WILLARD, MISSOURI
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2007

2. Restricted Assets, Net Assets and Fund Balance

Park Fund

	Restricted Cash and Investments	Restricted Fund Balance
Reserved for debt service	70	70
Total Reserved - Park Fund	\$ 70	\$ 70

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, 2007, the required deposits had been met, and therefore the City of Willard was 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, 2007:

	Restricted Cash and Investments	Restricted Net Assets
Reserved for customer deposits	\$ 110,280	\$ -
Reserved for construction	\$ 406,845	\$ 406,845
Reserved for debt service	476,890	476,890
Total Reserved - Water/Sewer Fund	\$ 994,015	\$ 883,735

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

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, 2007	Book Carrying Amounts	Bank Balance
Petty Cash	\$ 894	\$ -
Checking Accounts	\$ 278,355	\$ 297,571
Money Market Accounts	1,420,206	1,420,206
Certificates of Deposit	67,422	67,422
Total	\$ 1,766,877	\$ 1,785,199
Deposits Held in Trust:		
Financial Square Trust Treasury Obligation Fund	294,548	294,548
Total	\$ 2,061,425	\$ 2,079,747

Of the total bank balance at December 31, 2007, \$1,785,199 was covered by federal depository 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 depositories 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 depository 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 depositories. The City does have formal depository contracts with the banks.

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

4. Capital Assets

Capital asset activities for the year ended December 31, 2007 were as follows:

Governmental activities:

	Balance 1/1/2007	Additions	Retirements	Balance 12/31/2007
Land	\$ 277,860			\$ 277,860
Buildings & improvements	2,507,142	184,552		2,691,694
Equipment	964,689	137,035	(38,369)	1,063,355
Total	<u>3,749,691</u>	<u>321,587</u>	<u>(38,369)</u>	<u>4,032,909</u>
Less accumulated depreciation for:				
Buildings & improvements	426,938	56,099		483,037
Equipment	337,777	69,409	(23,349)	383,837
Total	<u>764,715</u>	<u>125,508</u>	<u>(23,349)</u>	<u>866,874</u>
Net capital asset	<u>\$ 2,984,976</u>	<u>\$ 196,079</u>	<u>\$ (15,020)</u>	<u>\$ 3,166,035</u>

Business-type activities:

Land	\$ 60,591			\$ 60,591
Water and sewer system	6,987,681	79,404		7,067,085
Equipment	245,423	92,228	(38,000)	299,651
Total	<u>7,293,695</u>	<u>171,632</u>	<u>(38,000)</u>	<u>7,427,327</u>
Less accumulated depreciation for:				
Water and sewer system	2,039,549	164,478		2,204,027
Equipment	112,865	28,609	(38,000)	103,474
Total	<u>2,152,414</u>	<u>193,087</u>	<u>(38,000)</u>	<u>2,307,501</u>
Net capital asset	<u>\$ 5,141,281</u>	<u>\$ (21,455)</u>	<u>\$ 38,000</u>	<u>\$ 5,119,826</u>

Depreciation expense for the year ended December 31, 2007 is as follows:

Administration	\$ 14,213
Public Safety	31,706
Street	18,795
Recreation	60,794
	<u>\$ 125,508</u>

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

5. Long-Term Debt

The following is a summary of changes in long-term obligations of the City at December 31, 2007

	Balance January 1, 2007	Issues or Additions	Payments or Expenditures	Balance December 31, 2007	Due Within One Year
Governmental Activities:					
Park COP's-2003	290,000		45,000	245,000	45,000
AT&T telephone lease purchase	32,362		12,288	20,074	13,154
Park Refinance COP's-2006	1,555,000		15,000	1,540,000	45,000
Police Building Lease-General Fd	155,000		25,000	130,000	26,000
Total governmental activities	<u>\$ 2,032,362</u>	<u>\$ -</u>	<u>\$ 97,288</u>	<u>\$ 1,935,074</u>	<u>\$ 129,154</u>
Business-Type Activities:					
2002 Revenue Bonds	180,000		40,000	140,000	45,000
2003 Revenue Bonds	355,000		45,000	310,000	45,000
2005 Revenue Bonds	480,000		10,000	470,000	10,000
AT&T telephone lease purchase	16,181		6,144	10,037	6,577
Total business-type activities	<u>\$ 1,031,181</u>	<u>\$ -</u>	<u>\$ 101,144</u>	<u>\$ 930,037</u>	<u>\$ 106,577</u>
Unamortized loss on refunding				16,248	
				<u>\$ 913,789</u>	<u>\$ 106,577</u>

A. Debt

2006 Certificates of Participation debt (COP's) used for refinancing the 2001 Park Recreation Center COP's, dated November 15, 2006, due in annual installments through June 1, 2020, bearing interest rates of 4.25% to 4.65%, interest payable semi-annually on June 1 and December 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.

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

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.

The Governmental Activities' annual debt service requirements are as follows:

Year Ending December 31,	Principal	Interest	Total
2008	90,000	76,719	166,719
2009	100,000	73,175	173,175
2010	105,000	69,132	174,132
2011	120,000	64,515	184,515
2012	130,000	59,279	189,279
2013	80,000	54,830	134,830
2014	90,000	51,128	141,128
2015	95,000	47,012	142,012
2016	105,000	42,562	147,562
2017	115,000	37,667	152,667
2018	125,000	32,202	157,202
2019	140,000	26,041	166,041
2020	155,000	19,182	174,182
2021	160,000	11,858	171,858
2022	175,000	4,069	179,069
	<u>\$ 1,785,000</u>	<u>\$ 669,371</u>	<u>\$ 2,454,371</u>

The Business-Type Activities' annual debt service requirements are as follows:

Year Ending December 31,	Principal	Interest	Total
2008	100,000	35,969	135,969
2009	105,000	32,264	137,264
2010	110,000	28,151	138,151
2011	65,000	24,796	89,796
2012	65,000	22,334	87,334
2013	70,000	19,642	89,642
2014	120,000	15,702	135,702
2015	75,000	11,447	86,447
2016	80,000	7,862	87,862
2017	130,000	3,006	133,006
	<u>\$ 920,000</u>	<u>\$ 201,173</u>	<u>\$ 1,121,173</u>

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

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

	<u>Number of Customers</u>
Beginning of Year	1,731
End of Year	1,811

Risk Coverage	Coverage Amount	Insurer	Expiration Date	Premium
Commercial property and inland marine	5,305,478	Savers Property & Insur	1/1/2009	\$ 45,113
General liability	2,000,000 per occurrence	Savers Property & Insur	1/1/2009	incl above
Automobile liability	2,000,000 per occurrence	Savers Property & Insur	1/1/2009	incl above

B. Capitalized Lease Obligations

The City has entered into two cancelable leases. One for the construction of a police building and the other to purchase a telephone system. The assets 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:

<u>Year Ending December 31,</u>	<u>Police Building Lease</u>	<u>AT&T Telephone Lease</u>
2008	32,175	21,177
2009	32,850	10,589
2010	32,450	-
2011	32,975	-
2012	16,400	-
Total	146,850	31,766
Less amount to interest	(16,850)	(1,655)
Present value of lease payments	<u>\$ 130,000</u>	<u>\$ 30,111</u>

The interest rates for the capitalized leases are 5% and 6.83% and are imputed based on the lessor's implicit rate of return

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

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.

In 2006, the City issued \$1,555,000 of Certificates of Participation 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 \$1,445,000 of 2001 Certificates of Participation which were originally used to construct a Recreation Center. As a result, the refunded certificates 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 advance refunding was undertaken to reduce total debt service payments over the next fifteen years by \$62,674.

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.

CITY OF WILLARD, MISSOURI
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2007

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 5.1% (general) and 5.0% (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 2007, the political subdivision's annual pension cost of \$74,594 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2005 and/or February 28, 2006 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2007 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 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women 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, 2007 was 27 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	\$ 68,817	100%	\$ -
6/30/2006	\$ 72,529	100%	\$ -
6/30/2007	\$ 74,594	100%	\$ -

CITY OF WILLARD, MISSOURI
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2007

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%
2/28/2006	\$ 146,068	\$ 223,877	\$ 77,809	65%	\$ 790,824	10%
2/28/2007	\$ 221,526	\$ 302,158	\$ 80,632	73%	\$ 853,139	9%

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, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

8.

Subsequent Events

In April 2008, the City approved the issuance of \$2 million of capital lease obligations. These proceeds are going to purchase a neighboring water and sewer system.

SUPPLEMENTARY INFORMATION

CITY OF WILLARD, MISSOURI
 Budgetary Comparison Schedule - Cash Basis
 General Fund
 Year Ended December 31, 2007

	Original Budget	Budget as Amended	Actual	Variance from amended Positive (Negative)
Revenues				
Tax Revenues	\$ 1,120,498	\$ 1,047,572	\$ 1,120,975	\$ 73,403
License and permits	132,400	47,900	49,894	1,994
Fines and forfeitures	90,000	52,400	55,242	2,842
Intergovernmental revenue	15,000	82,870	70,775	(12,095)
Interest	8,000	20,000	21,252	1,252
Other	61,620	52,050	46,606	(5,444)
Total Revenues	<u>1,427,518</u>	<u>1,302,792</u>	<u>1,364,744</u>	<u>61,952</u>
Expenditures				
Administration	265,700	245,450	238,937	(6,513)
Public safety	732,025	727,750	744,568	16,818
Street	301,420	268,900	275,687	6,787
Planning and development	71,187	58,350	66,965	8,615
Emergency management	23,890	84,160	84,334	174
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fees	7,450	11,025	11,025	-
Total Expenditures	<u>1,426,672</u>	<u>1,420,635</u>	<u>1,446,516</u>	<u>25,881</u>
Excess (Deficit) of Revenues Over Expenditures	<u>846</u>	<u>(117,843)</u>	<u>(81,772)</u>	<u>36,071</u>
Other Financing Sources (Uses)				
Sale of property and equipment		100	100	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>100</u>	<u>100</u>	<u>-</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>846</u>	<u>(117,743)</u>	<u>(81,672)</u>	<u>36,071</u>
Fund Balance, January 1	<u>490,773</u>	<u>490,773</u>	<u>490,773</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 491,619</u>	<u>\$ 373,030</u>	<u>\$ 409,101</u>	<u>\$ 36,071</u>

CITY OF WILLARD, MISSOURI
 Budgetary Comparison Schedule - Cash Basis
 Park Fund
 Year Ended December 31, 2007

	Original Budget	Budget as Amended	Actual	Variance from amended Positive (Negative)
Revenues				
Tax revenue	\$ 501,500	\$ 533,200	\$ 533,049	\$ (151)
Charges for services	249,500	215,500	201,611	(13,889)
Intergovernmental revenues	52,000	41,500	41,348	(152)
Interest	3,000	14,000	12,400	(1,600)
Other	1,000	7,500	24,681	17,181
Total Revenues	<u>807,000</u>	<u>811,700</u>	<u>813,089</u>	<u>1,389</u>
Expenditures				
Recreation	639,350	640,450	629,444	(11,006)
Debt service:				
Principal	75,000	60,000	60,000	-
Interest and fees	92,100	80,000	86,942	6,942
Total Expenditures	<u>806,450</u>	<u>780,450</u>	<u>776,386</u>	<u>(4,064)</u>
Excess (Deficit) of Revenues Over Expenditures	550	31,250	36,703	5,453
Other Financing Sources (Uses)				
Sale of equipment		1,000	1,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	550	32,250	37,703	5,453
Fund Balance, January 1	<u>368,407</u>	<u>368,407</u>	<u>368,407</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 368,957</u>	<u>\$ 400,657</u>	<u>\$ 406,110</u>	<u>\$ 5,453</u>

CITY OF WILLARD, MISSOURI

Notes to the Required Supplementary Information - Budget Comparisons

December 31, 2007

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

The General Fund had expenditures exceeding the budget of \$25,881 due to overages in the public safety, street and planning departments.