

CITY OF WILLARD, MISSOURI

FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
DECEMBER 31, 2008

CITY OF WILLARD, MISSOURI  
Audit Report  
December 31, 2008

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, 2008 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, 2008 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*

August 4, 2009

## **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, 2008. Please read this in conjunction with the City's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

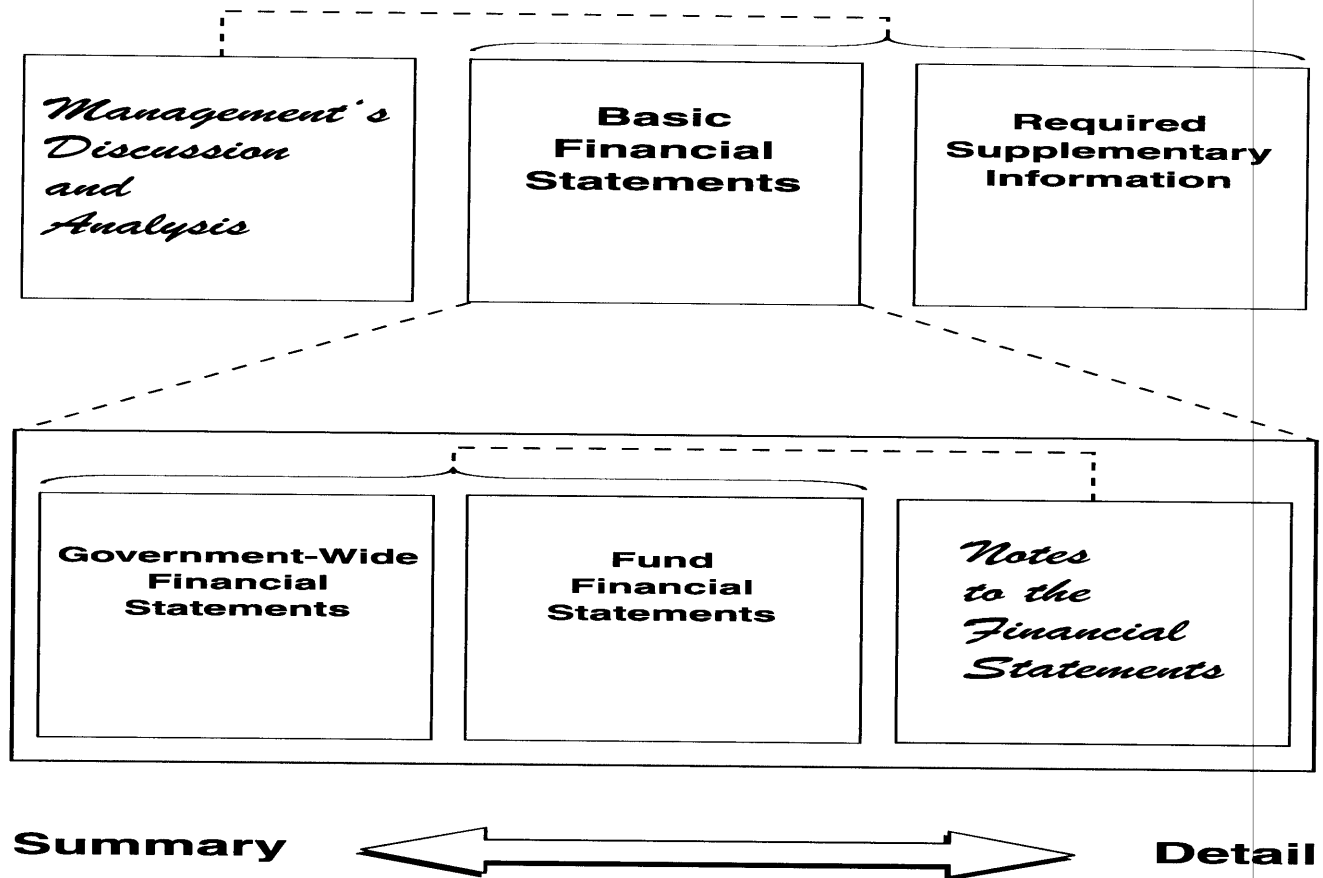
- The City's total combined net assets were \$7,622,877 on December 31, 2008, an increase of \$34,331 over the previous fiscal year combined net assets of \$7,588,546.
- Proprietary Fund net assets totaled \$5,702,702
- Governmental Fund net assets total \$1,920,175
- At the close of the fiscal year, the fund balances for the Governmental Funds were \$2,864,100, and the Proprietary Fund was \$5,702,702, an increase of \$2,048,888.

### **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

<i>Type of statements</i>	Fund Statements			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	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
<i>Required financial statements</i>	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	
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic focus	Modified accrual accounting and current	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	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
<i>Type of inflow/outflow information</i>	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 \$7,622,877 at December 31, 2008. (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 (\$560,399) may be used to meet the City's ongoing obligations to citizens and creditors.

Table A-1

<b>City of Willard</b>			
<b>Government-wide Statement of Net Assets</b>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current and other assets	\$2,870,127	\$1,919,405	\$4,789,532
Capital Assets	<u>3,984,006</u>	<u>7,003,595</u>	<u>10,987,601</u>
Total Assets	\$6,854,133	\$8,923,000	\$15,777,133
<b>LIABILITIES</b>			
Other Liabilities	\$193,146	\$214,014	\$407,160
Long Term Debt	<u>4,740,812</u>	<u>3,006,284</u>	<u>7,747,096</u>
Total Liabilities	\$4,933,958	\$3,220,298	\$8,154,256
<b>NET ASSETS</b>			
Investment in Capital Assets,			
Net of Related Debt	\$1,049,516	\$3,803,879	\$4,853,395
Restricted	310,260	1,119,353	1,429,613
Unrestricted	<u>560,399</u>	<u>779,470</u>	<u>1,339,869</u>
Total Net Assets	\$1,920,175	\$5,702,702	\$7,622,877

**REVENUES**

## Program Revenues

Charges for Services	308,234	\$	1,493,470	\$	1,801,704
Capital Grants & Contributions	67,922				67,922

## General Revenues

Taxes	1,574,101				1,574,101
Interest & Investment	13,259		29,360		42,619
Miscellaneous	87,239				87,239
Debt Issuance Costs	(99,765)				(99,765)
Gain (Loss) on Asset Disposal	1,756		48,209		49,965

Total Revenues	1,952,746		1,571,039		3,523,785
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**EXPENSES**

Administration	226,997				226,997
Public Safety	666,793				666,793
Street	247,236				247,236
Recreation	746,032				746,032
Planning and development	68,989				68,989
Emergency management	40,827				40,827
Interest on Long Term Debt	81,869		76,014		157,883
Water and Sewer			1,334,698		1,334,698

Total Expenses	2,078,743		1,410,712		3,489,455
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<b>INCREASE (DECREASE) IN NET ASSET</b>	(125,997)		160,327		34,330
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<b>NET ASSETS AT BEGINNING</b>	2,046,172		5,542,375		7,588,547
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<b>NET ASSETS AT END OF YEAR</b>	1,920,175		5,702,702		7,622,877
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Governmental Activities increased the City's total net assets resulting in net assets from governmental activities of \$1,920,175. Primary segments of this figure were as follows:

- The City was able to enjoy a growth total in overall government fund revenues which includes the property taxes, franchise taxes and the general, stormwater/park, capital improvements, and transportation sales taxes, to \$2,050,755.

Business-type activities increased the City's total net assets to \$5,702,702. Primary segments of this increase were as follows:

- The cost of all activities in 2008 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 \$1,493,470 and park programs and services, \$733,561.

## **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 \$376,222.

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 \$2,487,878.

### **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 \$5,702,702, an increase of \$160,327 over the beginning balance of \$5,542,375. This figure includes contributed capital.

## **General Fund Budgetary Highlights**

Over the course of the year, the City revised the budget two (2) times. Total expenditures in the general fund were \$1,351,829.

On the revenue side, the budgeted amount before adjustments was \$1,697,813 with actual revenues in the General Fund totaling \$1,317,194. As noted earlier:

- Sales tax, fuel tax, and franchise collections were less than expected.
- Increased park expenses resulted in a negative variance. The increased expenses were due to an increase in park programs with the related higher cost of labor due to the increase in the state and federal minimum wage.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental activities as of December 31, 2008, amounted to \$4,853,395. 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 2008 capital budget allocated \$188,100 for capital equipment and projects, including: 1 replacement police vehicle, improvements to the soccer park, water line improvements, software upgrades, and a dump truck with attachments. More detailed information about the City's capital assets is presented in the notes to the financial statements. The City increased the capital assets with the purchase of the Meadows water/sewer system and the construction of a new aquatic facility.

### **Long Term Debt**

At year-end the City had \$8,049,622 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	\$95,000
06 Certificates - Park	1,495,000
03 Certificates - Park	200,000
Note payable to School District	115,622
Police Bdlg - Lease	104,000
03 Water and Sewer bonds	265,000
05 Sewer	460,000
Meadows 2008 Certificates	2,305,000
2009 Park Certificate	3,010,000
Totals	<u>\$8,049,622</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Total General Revenue Fund revenues for 2009 are projected to increase approximately 3% from the budgeted amount for Fiscal 2008. Increases are projected in all areas of revenue due to the growth of the city, residential and commercial. Property tax rates for 2008, set in August, will lower the real estate levy. Increases will be due to new housing 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. Conservative estimates for revenue growth are projected for 2009 due to the late year downturn in the national economy.

**Total expenditures** budgeted for the General Fund in Fiscal 2009 are \$1,229,203. City personnel are expected to increase in 2009 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 2009 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 2009 include the sidewalk grant project, the chlorination/interconnect project in the water department, lagoon/sewer improvements, and the completion of the aquatic center.

The Park Fund budget provides \$2,630,000. for new equipment and capital projects, such as the completion of the aquatic complex. Scheduled projects include sports equipment improvements, and maintenance equipment purchases. The Park Board has purchased an additional twenty acres on the south area of Willard. This land will be scheduled for improvement in the future.

During 2008, 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.

#### **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, 2008 with Comparative Data

	December 31, 2008			Comparative Data December 31, 2007
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 305,438	\$ 589,771	\$ 895,209	\$ 999,917
Investments	70,555		70,555	67,422
Receivables				
Taxes	187,712		187,712	168,077
Other			-	180
Due from other funds	2,721		2,721	7,000
Due from other governments		100,000	100,000	
Restricted Assets				
Cash and cash equivalents	2,303,701	1,229,634	3,533,335	994,085
Capital Assets:				
Land	452,032	205,895	657,927	338,451
Building and improvements	3,382,046		3,382,046	2,691,694
Water and sewer system		8,587,207	8,587,207	7,067,087
Equipment	1,153,770	577,729	1,731,499	1,363,004
Construction in progress		86,601	86,601	
Accumulated depreciation	(1,003,842)	(2,540,614)	(3,544,456)	(3,174,375)
Bond issuance costs, net		86,777	86,777	22,050
TOTAL ASSETS	6,854,133	8,923,000	15,777,133	10,544,592
LIABILITIES				
Current Liabilities:				
Accrued expenses		3,063	3,063	2,897
Customer deposits	6,027	101,575	107,602	97,286
Due to other funds		2,721	2,721	7,000
Current portion of long-term debt	187,119	106,655	293,774	235,731
Total Current Liabilities	193,146	214,014	407,160	342,914
Long-term Liabilities, net of current portion:				
Long-term debt	4,740,812	3,020,000	7,760,812	2,629,380
Deferred amount on refinancing		(13,716)	(13,716)	(16,248)
Total Long-term Liabilities	4,740,812	3,006,284	7,747,096	2,613,132
TOTAL LIABILITIES	4,933,958	3,220,298	8,154,256	2,956,046
NET ASSETS				
Invested in capital assets, net of related debt	1,049,516	3,803,879	4,853,395	5,436,998
Restricted	310,260	1,119,353	1,429,613	883,805
Unrestricted	560,399	779,470	1,339,869	1,267,743
TOTAL NET ASSETS	\$ 1,920,175	\$ 5,702,702	\$ 7,622,877	\$ 7,588,546

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI  
Government-wide Statement of Activities - Cash Basis  
For the year ended December 31, 2008 With Comparative Data

December 31, 2008							Comparative Data Dec. 31, 2007
Program Activities	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	\$ 226,997	\$ 26,509			\$ (200,488)	\$ (200,488)	\$ (142,321)
Public safety	666,793	60,750		35,690	(570,353)	(570,353)	(555,491)
Street	247,236				(247,236)	(247,236)	(285,028)
Recreation	746,032	220,975		32,232	(492,825)	(492,825)	(338,636)
Planning and development	68,989				(68,989)	(68,989)	(66,965)
Emergency management	40,827				(40,827)	(40,827)	(36,545)
Interest on long-term debt	81,869				(81,869)	(81,869)	(85,679)
Total governmental activities	2,078,743	308,234	-	67,922	(1,702,587)	-	(1,510,665)
Business-type activities							
Water and sewer	1,334,698	1,493,470				158,772	122,369
Interest on long-term debt	76,014					(76,014)	(44,618)
Total Business-type activities	1,410,712	1,493,470	-	-	-	82,758	77,751
Total primary government	\$ 3,489,455	\$ 1,801,704	\$ -	\$ 67,922	(1,702,587)	82,758	(1,432,914)
General Revenues:							
Taxes					1,574,101		1,574,101
Interest and Investment Earnings					13,259	29,360	42,619
Miscellaneous					87,239		87,239
Debt issuance costs					(99,765)		(99,765)
Gain/(Loss) on asset disposal					1,756	48,209	49,965
Total General Revenues and transfers					1,576,590	77,569	1,654,159
Change in Net Assets					(125,997)	160,327	372,419
Net Assets at Beginning of Year					2,046,172	5,542,375	7,588,547
Net Assets at End of Year					\$ 1,920,175	\$ 5,702,702	\$ 7,588,547

See accompanying notes to the financial statements.



CITY OF WILLARD, MISSOURI  
Balance Sheet - Cash Basis  
Governmental Funds  
December 31, 2008 With Comparative Data

	General Fund	Park Fund	Dec. 31, 2008 Total Governmental Funds	Comparative Data Dec. 31, 2007
<b>ASSETS AND OTHER DEBITS</b>				
Unrestricted Assets:				
Cash and cash equivalents	\$ 166,594	\$ 138,844	\$ 305,438	\$ 594,528
Investments	70,555		70,555	67,422
Receivables, net of allow. for doubtful accounts				
Taxes	143,716	43,996	187,712	168,077
Due from other funds	1,384	1,337	2,721	6,550
Restricted Assets:				
Cash and cash equivalents		2,303,701	2,303,701	70
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u><u>\$ 382,249</u></u>	<u><u>\$2,487,878</u></u>	<u><u>\$ 2,870,127</u></u>	<u><u>\$ 836,647</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
Due to other funds			\$ -	\$ 13,550
Customer deposits	\$ 6,027		6,027	7,886
<b>Total Liabilities</b>	<u>6,027</u>	<u>-</u>	<u>6,027</u>	<u>21,436</u>
Fund Balances:				
Unreserved, reported in:				
General fund	376,222		376,222	409,101
Special revenue funds		184,177	184,177	406,040
Reserved, reported in:				
Special revenue funds		2,303,701	2,303,701	70
<b>Total Fund balances</b>	<u>376,222</u>	<u>2,487,878</u>	<u>2,864,100</u>	<u>815,211</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 382,249</u></u>	<u><u>\$2,487,878</u></u>	<u><u>\$ 2,870,127</u></u>	<u><u>\$ 836,647</u></u>

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, 2008 With Comparative Data

	December 31, 2008	December 31, 2007
Total fund balance - total governmental funds	\$ 2,864,100	\$ 815,211
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,984,006	3,166,035
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.	(4,927,931)	(1,935,074)
Net assets of governmental activities	<u>\$ 1,920,175</u>	<u>\$ 2,046,172</u>

CITY OF WILLARD, MISSOURI  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Cash Basis  
Governmental Funds  
Year Ended December 31, 2008 With Comparative Data

	General Fund	Park Fund	December 31, 2008 Total Governmental Funds	Comparative Data December 31, 2007
REVENUES				
Tax revenues	\$ 1,125,482	\$ 448,619	\$ 1,574,101	\$ 1,654,024
License and permits	26,509		26,509	49,894
Fines and forfeitures	60,750		60,750	55,242
Charge for services		220,975	220,975	201,611
Intergovernmental revenues	35,690	32,232	67,922	112,123
Interest	7,051	6,208	13,259	33,652
Other	61,712	25,527	87,239	71,287
TOTAL REVENUES	1,317,194	733,561	2,050,755	2,177,833
EXPENDITURES				
Administrative	310,456		310,456	251,422
Public safety	657,952		657,952	744,568
Street	245,005		245,005	263,202
Recreation		1,508,381	1,508,381	629,444
Planning and development	68,989		68,989	66,965
Emergency management	40,827		40,827	84,334
Debt service:				
Principal	26,000	90,000	116,000	85,000
Interest and fiscal fees	2,600	79,269	81,869	97,967
TOTAL EXPENDITURES	1,351,829	1,677,650	3,029,479	2,222,902
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(34,635)	(944,089)	(978,724)	(45,069)
OTHER FINANCING SOURCES (USES)				
Debt proceeds		3,080,472	3,080,472	-
Debt issuance costs		(54,615)	(54,615)	-
Sale of property and equipment	1,756		1,756	1,100
TOTAL OTHER FINANCING SOURCES (USES)	1,756	3,025,857	3,027,613	1,100
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(32,879)	2,081,768	2,048,889	(43,969)
FUND BALANCE (DEFICIT), January 1	409,101	406,110	815,211	859,180
FUND BALANCE (DEFICIT), December 31	\$ 376,222	\$ 2,487,878	\$ 2,864,100	\$ 815,211

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, 2008 With Comparative Data

	December 31, 2008	December 31, 2007
Net change in fund balances - total governmental funds	\$2,048,889	\$ (43,969)
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.	828,357	196,079
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.	(3,003,243)	97,287
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)
Change in net assets of governmental activities	<u>\$ (125,997)</u>	<u>\$ 234,377</u>

CITY OF WILLARD, MISSOURI  
Statement of Net Assets - Cash Basis  
Proprietary Funds  
December 31, 2008 with Comparative Data

	December 31, 2008	December 31, 2007
<b>ASSETS AND OTHER DEBITS</b>		
Current assets:		
Cash and cash equivalents	\$ 589,771	\$ 405,389
Due from other funds		7,000
Due from other governments	100,000	
Receivables, net of allowance for doubtful accounts:		
Other		180
Total current assets	<u>689,771</u>	<u>412,569</u>
Restricted assets:		
Cash	<u>1,229,634</u>	<u>994,015</u>
Capital Assets		
Land	205,895	60,591
Equipment	577,729	299,649
Water plant	3,519,977	2,404,665
Sewer plant	5,067,230	4,662,422
Construction in progress	86,601	
Less accumulated depreciation	<u>(2,540,614)</u>	<u>(2,307,501)</u>
Net capital assets	<u>6,916,818</u>	<u>5,119,826</u>
Bond issuance costs, net	<u>86,777</u>	<u>22,050</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,923,000</u></u>	<u><u>\$ 6,548,460</u></u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accrued expenses	\$ 3,063	\$ 2,897
Due to other funds	2,721	
Water meter deposits	101,575	89,400
Current portion of long term debt	106,655	106,577
Total current liabilities	<u>214,014</u>	<u>198,874</u>
Noncurrent liabilities		
Revenue bonds payable	715,000	820,000
Lease purchase payable	2,305,000	3,460
Deferred amount on refinancing	<u>(13,716)</u>	<u>(16,248)</u>
Total noncurrent liabilities	<u>3,006,284</u>	<u>807,212</u>
<b>TOTAL LIABILITIES</b>	<u>3,220,298</u>	<u>1,006,086</u>
Net Assets:		
Invested in capital assets, net of related debt	3,803,879	4,206,037
Restricted	1,119,353	883,735
Unrestricted	<u>779,470</u>	<u>452,602</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 5,702,702</u></u>	<u><u>\$ 5,542,374</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, 2008 With Comparative Data

	December 31, 2008	December 31, 2007
OPERATING REVENUES		
Water	\$ 723,488	\$ 554,597
Sewerage	758,879	700,913
Miscellaneous income	11,103	1,462
TOTAL OPERATING REVENUES	1,493,470	1,256,972
OPERATING EXPENSES		
Water services		
Depreciation and amortization	112,495	85,347
Personnel costs	247,087	156,893
Occupancy	146,222	178,728
Administrative	21,355	8,627
Outside services	51,877	101,969
Sewerage services		
Depreciation and amortization	132,339	111,421
Personnel costs	238,210	155,913
Occupancy	105,608	74,588
Administrative	26,099	11,515
Outside services	253,406	249,602
TOTAL OPERATING EXPENSES	1,334,698	1,134,603
OPERATING INCOME (LOSS)	158,772	122,369
NON-OPERATING REVENUES (EXPENSES)		
Interest income	29,360	60,291
Gain on sale of fixed assets	48,209	
Interest expense and agent fees	(76,014)	(44,618)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,555	15,673
CHANGE IN NET ASSETS	160,327	138,042
TOTAL NET ASSETS, January 1	5,542,375	5,404,333
TOTAL NET ASSETS, December 31	\$ 5,702,702	\$ 5,542,375

See accompanying notes to the financial statements.

Statement of Cash Flows  
Proprietary Fund  
Year Ended December 31, 2008 With Comparative Data

	December 31, 2008	December 31, 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,505,991	\$ 1,261,014
Sale of fixed assets		
Cash payments for personnel	(485,297)	(314,941)
Cash payments for materials and services	(592,314)	(624,771)
<b>NET CASH PROVIDED BY (USED FOR)</b>		
<b>    OPERATING ACTIVITIES</b>	<b>428,380</b>	<b>321,302</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of fixed assets	(2,034,119)	(171,632)
Sale of fixed assets	(51,791)	
Interest and fees paid on revenue bonds	(76,014)	(42,085)
Debt proceeds	2,232,568	
Principal paid on revenue bonds	(108,382)	(101,144)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(37,738)</b>	<b>(314,861)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	29,360	60,291
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>29,360</b>	<b>60,291</b>
<b>NET INCREASE IN CASH AND RESTRICTED CASH</b>	<b>420,002</b>	<b>66,732</b>
<b>CASH AND RESTRICTED CASH, JANUARY 1</b>	<b>1,399,404</b>	<b>1,332,672</b>
<b>CASH AND RESTRICTED CASH, DECEMBER 31</b>	<b>\$ 1,819,406</b>	<b>\$ 1,399,404</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 158,772	\$ 122,369
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	247,366	196,768
Increase (decrease) in due to other funds	9,721	(2,135)
Increase (decrease) in other receivables	180	(108)
Increase (decrease) in accrued expenses	166	258
Increase (decrease) in customer meter deposits	12,175	4,150
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ 428,380</b>	<b>\$ 321,302</b>

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

**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-wide financial statements focus more on the sustainability of the City as an entity and the



CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

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 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.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

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 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.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

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.

The City distinguishes operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services in connection with the City's principal ongoing operations. The principal operating receipts are charges to customers for water and sewer services. Operating disbursements include the costs of sales and services and administrative expenses. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**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.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

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 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

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

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.

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.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

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

**2. Restricted Assets, Net Assets and Fund Balance**  
Park Fund

	Restricted Cash and Investments	Restricted Fund Balance
Reserved for debt service	310,260	310,260
Reserved for construction	1,993,441	1,993,441
Total Reserved - Park Fund	<u>\$ 2,303,701</u>	<u>\$ 2,303,701</u>
Less construction		(1,993,441)
Unrestricted Net Assets		<u>\$ 310,260</u>

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, 2008, 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, 2008:

	Restricted Cash and Investments	Restricted Net Assets
Reserved for customer deposits	\$ 110,280	\$ -
Reserved for construction	\$ 447,010	\$ 447,010
Reserved for debt service	672,343	672,343
Total Reserved - Water/Sewer Fund	<u>\$ 1,229,633</u>	<u>\$ 1,119,353</u>

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

**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, 2008	Book Carrying Amounts	Bank Balance
Petty Cash	\$ 200	\$ -
Checking Accounts	251,368	\$ 318,477
Money Market Accounts	1,307,680	1,306,222
Certificates of Deposit	70,555	70,555
Total	\$ 1,629,803	\$ 1,695,254
Deposits Held in Trust:		
Financial Square Trust Treasury Obligation Fund	2,869,294	2,869,294
Total	\$ 4,499,097	\$ 4,564,548

Of the total bank balance at December 31, 2008, \$1,695,254 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.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

**4. Capital Assets**

Capital asset activities for the year ended December 31, 2008 were as follows:

**Governmental activities:**

	Balance 1/1/2008	Additions	Retirements	Balance 12/31/2008
Land	\$ 277,860	\$ 174,175		\$ 452,035
Buildings & improvements	2,691,694	690,352		3,382,046
Equipment	1,063,355	100,801	(10,384)	1,153,772
Total	<u>4,032,909</u>	<u>965,328</u>	<u>(10,384)</u>	<u>4,987,853</u>
Less accumulated depreciation for:				
Buildings & improvements	483,037	59,028		542,065
Equipment	383,837	77,940		461,777
Total	<u>866,874</u>	<u>136,968</u>	<u>-</u>	<u>1,003,842</u>
Net capital asset	<u>\$ 3,166,035</u>	<u>\$ 828,360</u>	<u>\$ (10,384)</u>	<u>\$ 3,984,011</u>

**Business-type activities:**

Land	\$ 60,591	\$ 145,304		\$ 205,895
Water and sewer system	7,067,085	1,520,119		8,587,204
Equipment	299,651	440,288	(162,209)	577,730
Total	<u>7,427,327</u>	<u>2,105,711</u>	<u>(162,209)</u>	<u>9,370,829</u>
Less accumulated depreciation for:				
Water and sewer system	2,204,027	182,609		2,386,636
Equipment	103,474	54,520	(4,016)	153,978
Total	<u>2,307,501</u>	<u>237,129</u>	<u>(4,016)</u>	<u>2,540,614</u>
Net capital asset	<u>\$ 5,119,826</u>	<u>\$ 1,868,582</u>	<u>\$ (158,193)</u>	<u>\$ 6,830,215</u>

Depreciation expense for the year ended December 31, 2008 is as follows:

Administration	\$ 15,234
Public Safety	38,748
Street	18,918
Recreation	64,068
	<u>\$ 136,968</u>



CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

**5. Long-Term Debt**

The following is a summary of changes in long-term obligations of the City at December 31, 2008

	Balance January 1, 2008	Issues or Additions	Payments or Expenditure s	Balance December 31, 2008	Due Within One Year
<b>Governmental Activities:</b>					
Park COP's-2003	245,000		45,000	200,000	50,000
AT&T telephone lease purchase	20,074		16,766	3,308	3,308
Park Refinance COP's-2006	1,540,000		45,000	1,495,000	50,000
Note payable - School District		115,622		115,622	57,811
2008 Certificates of Participation		3,010,000		3,010,000	-
Police Building Lease-General Fc	130,000		26,000	104,000	26,000
Total governmental activities	<u>\$ 1,935,074</u>	<u>\$ 3,125,622</u>	<u>\$ 132,766</u>	<u>\$ 4,927,930</u>	<u>\$ 187,119</u>
<b>Business-Type Activities:</b>					
2002 Revenue Bonds	140,000		45,000	95,000	45,000
2003 Revenue Bonds	310,000		45,000	265,000	45,000
2005 Revenue Bonds	470,000		10,000	460,000	15,000
2008 Certificates of Certification		2,305,000		2,305,000	-
AT&T telephone lease purchase	10,037		8,382	1,655	1,655
Total business-type activities	<u>\$ 930,037</u>	<u>\$ 2,305,000</u>	<u>\$ 108,382</u>	<u>\$ 3,126,655</u>	<u>\$ 106,655</u>

**A. Debt**

2008 Certificates of Participation debt (COP's) used for construction of an aquatic center dated October 1, 2008, due in annual installments through May 15, 2032, bearing interest rates of 4.50% to 6.625%, interest payable semi-annually on May 15 and November 15.

2008 Note payable to the Willard School District for the purchase of land dated November 13, 2008, due in annual installments through November 13, 2010 bearing interest of 8.644%.

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.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

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.

2008 COP's used for expansion of water and sewer system, dated April 17, 2008, due in annual installments through January 15, 2028, bearing interest rates of 3.875% to 5.30%, interest payable semi-annually on January 1 and July 1.

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

Year Ending December 31,	Principal	Interest	Total
2009	157,811	284,995	442,806
2010	162,811	260,728	423,539
2011	120,000	256,111	376,111
2012	130,000	250,875	380,875
2013	115,000	245,639	360,639
2014	120,000	240,355	360,355
2015	125,000	234,648	359,648
2016	130,000	228,741	358,741
2017	140,000	222,521	362,521
2018	145,000	215,864	360,864
2019	155,000	208,732	363,732
2020	160,000	201,285	361,285
2021	165,000	193,667	358,667
2022	175,000	185,731	360,731
2023	185,000	176,228	361,228
2024	195,000	164,335	359,335
2025	210,000	150,919	360,919
2026	225,000	136,509	361,509
2027	240,000	121,106	361,106
2028	255,000	104,709	359,709
2029	275,000	87,497	362,497
2030	290,000	69,488	359,488
2031	310,000	50,363	360,363
2032	635,000	20,241	655,241
	<u>\$ 4,820,622</u>	<u>\$ 4,311,287</u>	<u>\$ 9,131,909</u>

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

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

Year Ending December 31,	Principal	Interest	Total
2009	105,000	147,022	252,022
2010	110,000	142,909	252,909
2011	95,000	138,973	233,973
2012	100,000	135,250	235,250
2013	100,000	131,299	231,299
2014	155,000	126,061	281,061
2015	115,000	120,268	235,268
2016	125,000	114,850	239,850
2017	180,000	107,857	287,857
2018	125,000	100,914	225,914
2019	135,000	94,811	229,811
2020	140,000	88,107	228,107
2021	145,000	81,160	226,160
2022	155,000	73,848	228,848
2023	160,000	66,170	226,170
2024	170,000	57,807	227,807
2025	180,000	48,619	228,619
2026	190,000	38,907	228,907
2027	200,000	28,620	228,620
2028	440,000	11,620	451,620
	<u>\$ 3,125,000</u>	<u>\$ 1,855,072</u>	<u>\$ 2,249,489</u>

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

	Number of Customers
Beginning of Year	1,811
End of Year	2,920

Risk Coverage	Coverage Amount	Insurer	Expiration Date	Premium
Commercial property and inland marine	6,551,028	Savers Property & Insur	1/1/2009	\$ 50,146
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.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

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

Year Ending December 31,	Police Building Lease	AT&T Telephone Lease
2009	32,850	4,963
2010	32,450	-
2011	32,975	-
2012	16,400	-
Total	114,675	4,963
Less amount to interest	(10,675)	
Present value of lease payments	\$ 104,000	\$ 4,963

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

**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.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

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 5.3% (general) and 5.3% (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 2008, the political subdivision's annual pension cost of \$84,466 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and/or February 28, 2007 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2008 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

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008

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 29, 2008 was 26 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	\$ 72,529	100%	\$ -
6/30/2007	\$ 74,594	100%	\$ -
6/30/2008	\$ 84,466	100%	\$ -

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
2/28/2006	\$ 146,068	\$ 223,877	\$ 77,809	65%	\$ 790,824	10%
2/28/2007	\$ 221,526	\$ 302,158	\$ 80,632	73%	\$ 853,139	9%
2/28/2008	\$ 311,629	\$ 369,236	\$ 57,607	84%	\$ 818,951	7%

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.

## SUPPLEMENTARY INFORMATION

CITY OF WILLARD, MISSOURI  
 Budgetary Comparison Schedule - Cash Basis  
 General Fund  
 Year Ended December 31, 2008

	Original Budget	Budget as Amended	Actual	Variance from amended Positive (Negative)
Revenues				
Tax Revenues	\$ 1,198,175	\$ 1,098,700	\$ 1,125,482	\$ 26,782
License and permits	54,500	23,600	26,509	2,909
Fines and forfeitures	60,500	60,500	60,750	250
Intergovernmental revenue	305,018	30,000	35,690	5,690
Interest	15,000	6,600	7,051	451
Other	64,620	62,000	61,712	(288)
Total Revenues	<u>1,697,813</u>	<u>1,281,400</u>	<u>1,317,194</u>	<u>35,794</u>
Expenditures				
Administration	245,970	311,360	310,456	(904)
Public safety	703,325	693,165	657,952	(35,213)
Street	641,818	249,250	245,005	(4,245)
Planning and development	84,530	68,125	68,989	864
Emergency management	21,975	33,725	40,827	7,102
Debt service:				
Principal			26,000	26,000
Interest and fees			2,600	2,600
Total Expenditures	<u>1,697,618</u>	<u>1,355,625</u>	<u>1,351,829</u>	<u>(3,796)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>195</u>	<u>(74,225)</u>	<u>(34,635)</u>	<u>39,590</u>
Other Financing Sources (Uses)				
Sale of property and equipment		1,800	1,756	(44)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,800</u>	<u>1,756</u>	<u>(44)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	195	(72,425)	(32,879)	39,546
Fund Balance, January 1	<u>409,101</u>	<u>409,101</u>	<u>409,101</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 409,296</u>	<u>\$ 336,676</u>	<u>\$ 376,222</u>	<u>\$ 39,546</u>



CITY OF WILLARD, MISSOURI  
 Budgetary Comparison Schedule - Cash Basis  
 Park Fund  
 Year Ended December 31, 2008

	Original Budget	Budget as Amended	Actual	Variance from amended Positive (Negative)
Revenues				
Tax revenue	\$ 565,200	\$ 431,150	\$ 448,619	\$ 17,469
Charges for services	238,500	226,350	220,975	(5,375)
Intergovernmental revenues		27,300	32,232	4,932
Interest	10,000	6,000	6,208	208
Other	1,500	8,500	25,527	17,027
Total Revenues	<u>815,200</u>	<u>699,300</u>	<u>733,561</u>	<u>34,261</u>
Expenditures				
Recreation	646,500	768,850	1,508,381	739,531
Debt service:				
Principal	90,000	90,000	90,000	-
Interest and fees	76,720	76,720	79,269	2,549
Total Expenditures	<u>813,220</u>	<u>935,570</u>	<u>1,677,650</u>	<u>742,080</u>
Excess (Deficit) of Revenues Over Expenditures	1,980	(236,270)	(944,089)	(707,819)
Other Financing Sources (Uses)				
Debt proceeds, net of issuance costs			3,025,857	3,025,857
Sale of equipment				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>3,025,857</u>	<u>3,025,857</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,980	(236,270)	2,081,768	2,318,038
Fund Balance, January 1	<u>406,110</u>	<u>406,110</u>	<u>406,110</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 408,090</u>	<u>\$ 169,840</u>	<u>\$ 2,487,878</u>	<u>\$ 2,318,038</u>

See accompanying notes to the RSI.

CITY OF WILLARD, MISSOURI

Notes to the Required Supplementary Information - Budget Comparisons

December 31, 2008

**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 twice during the year.

**3. Excess of Expenditures over Appropriations**

The Park Fund had expenditures exceeding the budget by \$742,080 due to the pool renovation project not being budgeted.

[ **Officer CPA Firm LLC** ]

Certified Public Accountants

To the Board of Aldermen  
Willard, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willard for the year ended December 31, 2008, and have issued our report thereon dated August 4, 2009. Professional standards require that we provide you with the following information related to our audit.

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting which is not in U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

We received full cooperation from the City's personnel.

Professional standards require us to accumulate all known and likely misstatements identified during the audit and communicate them to the appropriate level of management. Management has corrected all such misstatements. None of the misstatements were material to the financial statements.

We had no disagreements with management on financial, accounting and reporting matters which would have a material impact on the City's basic financial statements.

We noted one material weakness in the City's internal control structure.

We noted no indications of fraud.

We have requested certain representations from management that are included in the management representation letter.

We are aware of no situations where management has consulted with other accountants.

This information is intended solely for the use of the Board of Aldermen and management of the City of Willard and is not intended to be and should not be used by anyone other than these specified parties.

Very truly Yours,

*Officer CPA Firm LLC*

August 4, 2009

# [ Officer CPA Firm LLC ]

Certified Public Accountants

To the Board of Aldermen,

In planning and performing our audit of the financial statements of the City of Willard as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Organizations' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be significant deficiencies in internal control:

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. For example, the same person performs the billing function as well as collects the cash and records the receipt. Another example is when the same person that has purchasing authority also receipts the materials and maintains the inventory. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the above deficiency is also a material weakness.

### **Other Items for Consideration**

During the performance of our audit we observed other areas of your operation for which we have a suggestion that hopefully will improve the efficiency and accuracy of your financial and statistical records.

#### **Court Tickets**

The police issued traffic tickets did not appear to have someone tracking the chronological sequence of all tickets. By doing such procedure, all tickets will be accounted for and verified that they have been processed into the system.

#### **Receipts and Collections**

For all billings and collections, billing should be prepared independently and then collections made by a separate person. For example, court fines (excluding during court) should be processed by the court clerk. She would give a bill to the defendant. Then the defendant would be required to walk to the cash register collector and pay the fine. The same would be done for permits or other miscellaneous billings.

We also recommend that during the day, cash-out procedures should be implemented per employee per cash register drawer. This will provide evidence for occasions that the collections may run short and by whom.

#### **Purchasing**

Due to the size and increase in volume of purchases, several improvements are needed for purchasing as follows:

1. Need to attach bidding information (advertised, telephone, internet) to each invoice before given to the mayor for review.
2. To show that a purchase has been authorized by the department head, the invoice should be signed or initialed by the department head.
3. Proof of receipt of materials and supplies – An employee independent of the purchasing should physically inspect and count ordered materials and sign/initial the packing slip or invoice to show authorization to pay. This documentation would be turned in to accounts payable and matched with the invoice and bid document.
4. Inventory should be maintained by separate employees where the accounts payable clerk would update the inventory list with new purchases. This list would be given to someone independent of the department supervisor and perform a surprise physical count. Discrepancies would be turned over to a third party for resolution.

5. Vendors should be verified during the year by having the accounts payable clerk requesting a W-9. New vendors or uncommon vendors should have local references contacted by someone independent of purchasing.
6. Credit cards should be used minimally by employees and access limited.

#### Diesel Fuel Bulk Storage

To safeguard the bulk fuel, we suggest installing a card metering system on the tank to prevent personal or unauthorized pumping of fuel.

This communication is intended solely for the information and use of management, the board of aldermen and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Officer CPA Firm LLC*

Springfield, MO

August 4, 2009