

CITY OF WILLARD, MISSOURI

FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
DECEMBER 31, 2009

CITY OF WILLARD, MISSOURI  
 Audit Report  
 December 31, 2009

Table of Contents

	Page
Independent Auditor's Report .....	1 - 2
Management's Discussion and Analysis (unaudited).....	3 - 9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis .....	10
Statement of Activities – Modified Cash Basis .....	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Modified Cash Basis .....	12
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets – Modified Cash Basis .....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis .....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities – Modified Cash Basis .....	15
Proprietary Funds:	
Statement of Net Assets – Modified Cash Basis .....	16
Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis.....	17
Statement of Cash flows – Modified Cash Basis.....	18
Notes to the Basic Financial Statements.....	19 - 34
Required Supplementary Information:	
Budgetary Comparison Schedule –Modified Cash Basis – Governmental Funds.....	35 - 36
Notes to Required Supplementary Information – Budget Comparisons .....	37

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, 2009 which collectively comprise the City's 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 discussed in Note 1, the City of Willard, Missouri prepares its financial statements on a 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 financial position-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Willard, Missouri as of December 31, 2009 and the respective changes in financial position-modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 35-37 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*CPA Firm LLC*

October 25, 2010

## 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, 2009. 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 \$7,437,827 on December 31, 2009, a decrease of (\$185,050) over the previous fiscal year combined net assets of \$7,622,877.
- Proprietary Fund net assets totaled \$5,871,801
- Governmental Fund net assets total \$1,566,026

### 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.

### 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>
<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
	Statement of net assets	Balance sheet	Statement of net assets
<i>Required financial statements</i>	Statement of activities	Statement of revenues expenditures & changes in fund balances	Statement of revenues expenses and changes in fund net assets
			Statement of cash flows
<i>Accounting basis and measurement focus</i>	Modified cash accounting and economic focus	Modified cash accounting and current	Modified cash 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
<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

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 \$7,437,827 at December 31, 2009. (See Table A-1).

The largest portion of the City's net assets (74%) 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 of \$545,626 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>
<b>ASSETS</b>			
Current and other assets	\$807,572	\$1,579,474	\$2,387,046
Capital Assets	<u>5,961,357</u>	<u>7,425,313</u>	<u>13,386,670</u>
Total Assets	\$6,768,929	\$9,004,787	\$15,773,716
 <b>LIABILITIES</b>			
Other Liabilities	\$630,903	\$234,170	\$875,073
Long Term Debt	<u>4,547,000</u>	<u>2,898,816</u>	<u>7,460,816</u>
Total Liabilities	\$5,177,903	\$3,132,986	\$8,335,889
 <b>NET ASSETS</b>			
Investment in Capital Assets,			
Net of Related Debt	\$1,197,546	\$4,339,437	\$5,536,983
Restricted	339,378	986,840	1,326,218
Unrestricted	<u>29,102</u>	<u>545,524</u>	<u>574,626</u>
Total Net Assets	\$1,566,026	\$5,871,801	\$7,437,827



	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>REVENUES</b>			
Program Revenues			
Charges for Services	448,385	\$ 1,679,983	\$ 2,128,368
Operating grants	102,033		102,033
Capital Grants & Contributions	83,284	332,907	416,191
General Revenues			
Taxes	1,580,130		1,580,130
Interest & Investment	3,126	5,494	8,620
Miscellaneous	147,729	15,274	163,003
	<hr/>	<hr/>	<hr/>
Total Revenues	2,364,687	2,033,658	4,398,345
<b>EXPENSES</b>			
Administration	232,175		232,175
Public Safety	707,562		707,562
Street	352,020		352,020
Recreation	1,029,270		1,029,270
Planning and development	92,517		92,517
Emergency management	26,296		26,296
Interest on Long Term Debt	278,996	156,640	435,636
Water and Sewer		1,707,919	1,707,919
	<hr/>	<hr/>	<hr/>
Total Expenses	2,718,836	1,864,559	4,583,395
<b>INCREASE (DECREASE) IN NET ASSET</b>	(354,149)	169,099	(185,050)
<b>NET ASSETS AT BEGINNING</b>	1,920,175	5,702,702	7,622,877
<b>NET ASSETS AT END OF YEAR</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	1,566,026	5,871,801	7,437,827

Governmental Activities decreased the City's total net assets resulting in net assets from governmental activities of \$1,566,026. Primary segments of this figure were as follows:

- The City was able to maintain overall government fund revenues which includes the property taxes, franchise taxes and the general, stormwater/park, capital improvements, and transportation sales taxes, to \$2,389,688.

Business-type activities increased the City's total net assets to \$5,871,801. Primary segments of this increase were as follows:

- The cost of all activities in 2009 was \$3,126,655
- Some of the costs were paid by those who directly benefited from the programs; such as water, sewer and trash services of \$1,679,983 and park programs and services, \$852,693.

## **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 \$356,341.

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 \$12,139.

### **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 \$5,871,801, an increase of \$169,099 over the beginning balance of \$5,702,702. 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 \$1,471,875.

On the revenue side, the budgeted amount before adjustments was \$1,230,500 with actual revenues in the General Fund totaling \$1,536,995. 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 the staffing and costs to run the new aquatic center. Interest expenses were up sharply due to the aquatic center COP.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental activities as of December 31, 2009, amounted to \$5,561,983. 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 2009 capital budget allocated no funds for capital equipment and projects. 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.

### **Debt**

At year-end the City had \$7,983,811 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 Debt**

*Long Term Debt Obligations*

	<u>31-Dec-09</u>
Waterworks Revenue	\$50,000
06 Certificates - Park	1,445,000
03 Certificates - Park	150,000
Police Bdlg - Lease	76,000
03 Water/Sewer Bond	220,000
05 Sewer	445,000
Meadows 2008 Certificates	2,305,000
Note Payable to Mid-Missouri	200,000
Note Payable to Greene County	25,000
Note Payable to School District	57,811
2008 Park Certificate	<u>3,010,000</u>
Totals	<u><u>\$7,983,811</u></u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

Total General Revenue Fund revenues for 2010 are projected to increase approximately 3% from the budgeted amount for Fiscal 2009. Increases are projected in all areas of revenue due to the growth of the city, residential and commercial. Property tax rates for 2009, set in August, will lower the real estate levy. Increases will be due to new commercial development and valuation increases. Motor fuel funds are paid each month per capita and should increase significantly when the new census is completed 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 2010 due to the downturn in the national economy.

**Total expenditures** budgeted for the General Fund in Fiscal 2010 are \$1,062,750. City personnel are expected to increase in 2010 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 2010 budget for the General Fund provides for no capital equipment for any departments. Projects to be completed in 2010 include the lagoon/sewer improvements, and water line improvements.

The Park Fund budget provides \$1,029,362. for staffing and supplies to maintain current programs and events. Scheduled projects include sports equipment improvements, and maintenance equipment purchases. The Park Board will complete the purchase of twenty acres on the south area of Willard in 2010. This land will be scheduled for improvement in the future.

During 2009, 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 - Modified Cash Basis

December 31, 2009 with Comparative Data

	December 31, 2009			Comparative Data December 31, 2008
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 56,668	\$ 394,838	\$ 451,506	\$ 895,209
Investments	72,509		72,509	70,555
Receivables				
Taxes	183,668		183,668	187,712
Other		624	624	-
Due from other funds	155,349	77,622	232,971	2,721
Due from other governments			-	100,000
Restricted Assets				
Cash and cash equivalents	339,378	1,106,390	1,445,768	3,533,335
Capital Assets:				
Land	452,032	205,895	657,927	657,927
Building and improvements	5,493,650		5,493,650	3,382,046
Water and sewer system		9,314,550	9,314,550	8,587,207
Equipment	1,197,258	633,075	1,830,333	1,731,499
Construction in progress			-	86,601
Accumulated depreciation	(1,181,583)	(2,805,267)	(3,986,850)	(3,544,456)
Bond issuance costs, net		77,060	77,060	86,777
<b>TOTAL ASSETS</b>	<u>6,768,929</u>	<u>9,004,787</u>	<u>15,773,716</u>	<u>15,777,133</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accrued expenses		3,561	3,561	3,063
Short term note payable	200,000		200,000	
Customer deposits	7,180	119,550	126,730	107,602
Due to other funds	231,912	1,059	232,971	2,721
Current portion of long-term debt	201,811	110,000	311,811	293,774
<b>Total Current Liabilities</b>	<u>640,903</u>	<u>234,170</u>	<u>875,073</u>	<u>407,160</u>
<b>Long-term Liabilities, net of current portion:</b>				
Long-term debt	4,562,000	2,910,000	7,472,000	7,760,812
Deferred amount on refinancing		(11,184)	(11,184)	(13,716)
<b>Total Long-term Liabilities</b>	<u>4,562,000</u>	<u>2,898,816</u>	<u>7,460,816</u>	<u>7,747,096</u>
<b>TOTAL LIABILITIES</b>	<u>5,202,903</u>	<u>3,132,986</u>	<u>8,335,889</u>	<u>8,154,256</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,197,546	4,339,437	5,536,983	4,853,395
Restricted	339,378	986,840	1,326,218	1,429,613
Unrestricted	29,102	545,524	574,626	1,339,869
<b>TOTAL NET ASSETS</b>	<u>\$ 1,566,026</u>	<u>\$ 5,871,801</u>	<u>\$ 7,437,827</u>	<u>\$ 7,622,877</u>

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI

Government-wide Statement of Activities - Modified Cash Basis  
For the year ended December 31, 2009 With Comparative Data

Program Activities	December 31, 2009						Comparative Data Dec. 31, 2008
	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	
<b>Governmental activities:</b>							
Administration	\$ 232,175	\$ 20,617			\$ (211,558)	\$ (211,558)	\$ (200,488)
Public safety	707,562	77,110		83,284	(547,168)	(547,168)	(570,353)
Street	352,020		102,033		(249,987)	(249,987)	(247,236)
Recreation	1,029,270	350,658			(678,612)	(678,612)	(492,825)
Planning and development	92,517				(92,517)	(92,517)	(68,989)
Emergency management	26,296				(26,296)	(26,296)	(40,827)
Interest on long-term debt	278,996				(278,996)	(278,996)	(81,869)
<b>Total governmental activities</b>	<b>2,718,836</b>	<b>448,385</b>	<b>102,033</b>	<b>83,284</b>	<b>(2,085,134)</b>	<b>(2,085,134)</b>	<b>(1,702,587)</b>
<b>Business-type activities</b>							
Water	765,015	861,335		332,907	429,227	429,227	914,434
Sewer	942,904	818,648			(124,256)	(124,256)	(755,662)
Interest on long-term debt	156,640				(156,640)	(156,640)	(76,014)
<b>Total Business-type activities</b>	<b>1,864,559</b>	<b>1,679,983</b>	<b>-</b>	<b>332,907</b>	<b>148,331</b>	<b>148,331</b>	<b>82,758</b>
<b>Total primary government</b>	<b>\$ 4,583,395</b>	<b>\$ 2,128,368</b>	<b>\$ 102,033</b>	<b>\$ 416,191</b>	<b>(2,085,134)</b>	<b>(1,936,803)</b>	<b>(1,619,829)</b>
<b>General Revenues:</b>							
Taxes				1,580,130		1,580,130	1,574,101
Interest and Investment Earnings				3,126	5,494	8,620	42,619
Miscellaneous				147,729	15,274	163,003	87,239
Debt issuance costs						-	(99,765)
Gain/(Loss) on asset disposal						-	49,965
<b>Total General Revenues and transfers</b>				<b>1,730,985</b>	<b>20,768</b>	<b>1,751,753</b>	<b>1,654,159</b>
<b>Change in Net Assets</b>				<b>(354,149)</b>	<b>169,099</b>	<b>(185,050)</b>	<b>34,330</b>
<b>Net Assets at Beginning of Year</b>				<b>1,920,175</b>	<b>5,702,702</b>	<b>7,622,877</b>	<b>7,588,547</b>
<b>Net Assets at End of Year</b>				<b>\$ 1,566,026</b>	<b>\$ 5,871,801</b>	<b>\$7,437,827</b>	<b>\$ 7,622,877</b>

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI  
 Balance Sheet - Modified Cash Basis  
 Governmental Funds  
 December 31, 2009 With Comparative Data

	General Fund	Park Fund	Dec. 31, 2009 Total Governmental Funds	Comparative Data Dec. 31, 2008
<b>ASSETS AND OTHER DEBITS</b>				
Unrestricted Assets:				
Cash and cash equivalents	\$ 72,653	\$ (15,985)	\$ 56,668	\$ 305,438
Investments	72,509		72,509	70,555
Receivables, net of allow. for doubtful accounts				
Taxes	140,632	43,036	183,668	187,712
Due from other funds	155,349		155,349	2,721
Restricted Assets:				
Cash and cash equivalents		339,378	339,378	2,303,701
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 441,143</b>	<b>\$ 366,429</b>	<b>\$ 807,572</b>	<b>\$ 2,870,127</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Due to other funds	\$ 77,622	\$ 154,290	\$ 231,912	\$ -
Short term note payable		\$ 200,000	200,000	
Customer deposits	\$ 7,180		7,180	6,027
<b>Total Liabilities</b>	<b>84,802</b>	<b>354,290</b>	<b>439,092</b>	<b>6,027</b>
Fund Balances:				
Unreserved, reported in:				
General fund	356,341		356,341	376,222
Special revenue funds		(327,239)	(327,239)	184,177
Reserved, reported in:				
Special revenue funds		339,378	339,378	2,303,701
<b>Total Fund balances</b>	<b>356,341</b>	<b>12,139</b>	<b>368,480</b>	<b>2,864,100</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 441,143</b>	<b>\$ 366,429</b>	<b>\$ 807,572</b>	<b>\$ 2,870,127</b>

CITY OF WILLARD, MISSOURI

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

December 31, 2009 With Comparative Data

	December 31, 2009	December 31, 2008
Total fund balance - total governmental funds	\$ 368,480	\$ 2,864,100
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,961,357	3,984,006
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.	(4,763,811)	(4,927,931)
Net assets of governmental activities	<u>\$ 1,566,026</u>	<u>\$ 1,920,175</u>

CITY OF WILLARD, MISSOURI  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis  
Governmental Funds  
Year Ended December 31, 2009 With Comparative Data

	General Fund	Park Fund	December 31, 2009 Total Governmental Funds	Comparative Data December 31, 2008
<b>REVENUES</b>				
Tax revenues	\$ 1,141,164	\$ 438,966	\$ 1,580,130	\$ 1,574,101
License and permits	20,617		20,617	26,509
Fines and forfeitures	77,110		77,110	60,750
Charge for services		350,658	350,658	220,975
Intergovernmental revenues	185,317		185,317	67,922
Interest	2,776	350	3,126	13,259
Other	85,011	62,719	147,730	87,239
<b>TOTAL REVENUES</b>	<u>1,511,995</u>	<u>852,693</u>	<u>2,364,688</u>	<u>2,050,755</u>
<b>EXPENDITURES</b>				
Administrative	221,952		221,952	310,456
Public safety	701,255		701,255	657,952
Street	397,007		397,007	245,005
Recreation		909,013	909,013	1,508,381
Capital outlay		2,069,151	2,069,151	
Planning and development	92,517		92,517	68,989
Emergency management	26,296		26,296	40,827
Debt service:				
Principal	28,000	157,811	185,811	116,000
Interest and fiscal fees	4,848	294,053	298,901	81,869
<b>TOTAL EXPENDITURES</b>	<u>1,471,875</u>	<u>3,430,028</u>	<u>4,901,903</u>	<u>3,029,479</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>40,120</u>	<u>(2,577,335)</u>	<u>(2,537,215)</u>	<u>(978,724)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt proceeds	25,000	16,596	41,596	3,080,472
Debt issuance costs			-	(54,615)
Transfers in (out)	(85,000)	85,000		
Sale of property and equipment			-	1,756
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(60,000)</u>	<u>101,596</u>	<u>41,596</u>	<u>3,027,613</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(19,880)</u>	<u>(2,475,739)</u>	<u>(2,495,619)</u>	<u>2,048,889</u>
<b>FUND BALANCE (DEFICIT), January 1</b>	<u>376,221</u>	<u>2,487,878</u>	<u>2,864,099</u>	<u>815,211</u>
<b>FUND BALANCE (DEFICIT), December 31</b>	<u>\$ 356,341</u>	<u>\$ 12,139</u>	<u>\$ 368,480</u>	<u>\$ 2,864,100</u>



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 - Modified Cash Basis

Year Ended December 31, 2009 With Comparative Data

	December 31, 2009	December 31, 2008
Net change in fund balances - total governmental funds	<u>\$ (2,495,619)</u>	<u>\$ 2,048,889</u>
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.	1,977,351	828,357
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.	164,119	(3,003,243)
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.		
Change in net assets of governmental activities	<u>\$ (354,149)</u>	<u>\$ (125,997)</u>

CITY OF WILLARD, MISSOURI  
Statement of Net Assets - Modified Cash Basis  
Proprietary Funds  
December 31, 2009 with Comparative Data

	December 31, 2009	December 31, 2008
<b>ASSETS AND OTHER DEBITS</b>		
Current assets:		
Cash and cash equivalents	\$ 394,838	\$ 589,771
Due from other funds		
Due from other governments	77,622	100,000
Returned checks receivable	624	
Total current assets	<u>473,084</u>	<u>689,771</u>
Restricted assets:		
Cash	<u>1,106,390</u>	<u>1,229,634</u>
Capital Assets		
Land	205,895	205,895
Equipment	633,075	577,729
Water plant	4,191,161	3,519,977
Sewer plant	5,123,389	5,067,230
Construction in progress	-	86,601
Less accumulated depreciation	<u>(2,805,267)</u>	<u>(2,540,614)</u>
Net capital assets	<u>7,348,253</u>	<u>6,916,818</u>
Bond issuance costs, net	<u>77,060</u>	<u>86,777</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 9,004,787</u></u>	<u><u>\$ 8,923,000</u></u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accrued expenses	\$ 3,561	\$ 3,063
Due to other funds	1,059	2,721
Water meter deposits	119,550	101,575
Current portion of long term debt	<u>110,000</u>	<u>106,655</u>
Total current liabilities	<u>234,170</u>	<u>214,014</u>
Noncurrent liabilities		
Revenue bonds payable	605,000	715,000
Lease purchase payable	2,305,000	2,305,000
Deferred amount on refinancing	<u>(11,184)</u>	<u>(13,716)</u>
Total noncurrent liabilities	<u>2,898,816</u>	<u>3,006,284</u>
<b>TOTAL LIABILITIES</b>	<u>3,132,986</u>	<u>3,220,298</u>
Net Assets:		
Invested in capital assets, net of related debt	4,339,437	3,803,879
Restricted	986,840	1,119,353
Unrestricted	<u>545,524</u>	<u>779,470</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 5,871,801</u></u>	<u><u>\$ 5,702,702</u></u>

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI  
Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis  
Proprietary Funds  
Year Ended December 31, 2009 With Comparative Data

	December 31, 2009	December 31, 2008
OPERATING REVENUES		
Water	\$ 774,932	\$ 723,488
Sewerage	818,648	758,879
Trash	86,403	
Miscellaneous income	15,274	11,103
TOTAL OPERATING REVENUES	<u>1,695,257</u>	<u>1,493,470</u>
OPERATING EXPENSES		
Water services		
Depreciation and amortization	132,305	112,495
Personnel costs	291,454	247,087
Occupancy	200,977	146,222
Administrative	27,185	21,355
Outside services	113,094	51,877
Sewerage services		
Depreciation and amortization	149,628	132,339
Personnel costs	291,749	238,210
Occupancy	153,918	105,608
Administrative	29,722	26,099
Outside services	317,887	253,406
TOTAL OPERATING EXPENSES	<u>1,707,919</u>	<u>1,334,698</u>
OPERATING INCOME (LOSS)	<u>(12,662)</u>	<u>158,772</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	5,494	29,360
Intergovernmental revenues	332,907	
Gain on sale of fixed assets		48,209
Interest expense and agent fees	(156,640)	(76,014)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>181,761</u>	<u>1,555</u>
CHANGE IN NET ASSETS	169,099	160,327
TOTAL NET ASSETS, January 1	<u>5,702,702</u>	<u>5,542,375</u>
TOTAL NET ASSETS, December 31	<u>\$ 5,871,801</u>	<u>\$ 5,702,702</u>

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI  
Statement of Cash Flows - Modified Cash Basis  
Proprietary Fund  
Year Ended December 31, 2009 With Comparative Data

	December 31, 2009	December 31, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,712,608	\$ 1,505,991
Cash payments for personnel	(562,487)	(485,297)
Cash payments for materials and services	(842,285)	(592,314)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>307,836</u>	<u>428,380</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of fixed assets	(703,652)	(2,034,119)
Intergovernmental revenues	332,907	
Sale of fixed assets		(51,791)
Interest and fees paid on revenue bonds	(154,108)	(76,014)
Debt proceeds		2,232,568
Principal paid on revenue bonds	(106,655)	(108,382)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(631,508)</u>	<u>(37,738)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	5,494	29,360
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<u>5,494</u>	<u>29,360</u>
<b>NET INCREASE IN CASH AND RESTRICTED CASH</b>	(318,178)	420,002
<b>CASH AND RESTRICTED CASH, JANUARY 1</b>	<u>1,819,406</u>	<u>1,399,404</u>
<b>CASH AND RESTRICTED CASH, DECEMBER 31</b>	<u>\$ 1,501,228</u>	<u>\$ 1,819,406</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (12,662)	\$ 158,772
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	281,933	247,366
Increase (decrease) in due to other funds	20,716	9,721
Increase (decrease) in other receivables	(624)	180
Increase (decrease) in accrued expenses	498	166
Increase (decrease) in customer meter deposits	17,975	12,175
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 307,836</u>	<u>\$ 428,380</u>

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

**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.

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.

The financial reporting entity includes all funds, functions, and organizations over which the City officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The City's reporting entity does not contain any component units as defined in GASB Statement No. 14 and GASB Statement No. 39.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

**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 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 of a modified cash basis of accounting, which includes long-term debt and current tax receivables. The government-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.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

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.

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 services. Operating disbursements include the costs of

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

sales and services and administrative expenses. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

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

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

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 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. Property taxes collected by the county in December but not turned over to the City are recorded as a receivable at year end.

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, collateralized time and demand deposits, collateralized repurchase agreements, commercial paper and bankers' acceptances. The bankers' acceptances and commercial paper must be issued by domestic commercial banks and possess the highest rating issued by Moody's Investor services, Inc or Standard and Poor's Corporation.

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,



CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

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

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, 2009

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, 2009

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

Park Fund

	Restricted Cash and Investments	Restricted Fund Balance
Reserved for debt service	304,421	304,421
Reserved for donor requests	34,957	34,957
Total Reserved - Park Fund	\$ 339,378	\$ 339,378

Water and Sewer Fund

The 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, 2009, 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, 2009:

	Restricted Cash and Investments	Restricted Net Assets
Reserved for customer deposits	\$ 119,550	\$ -
Reserved for construction	\$ 402,790	\$ 402,790
Reserved for debt service	584,050	584,050
Total Reserved - Water/Sewer Fund	\$ 1,106,390	\$ 986,840

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

**3. Cash and Equivalents**

The Board of Aldermen have adopted formal investment policies for City monies. The Chief Financial Officer is the designated investment officer, and has the responsibility of investing all City monies in accordance with the established written policies. Monies may be invested in United States Treasury and Agency Securities, repurchase agreements limited to U.S. Treasury and Agency Securities, certificates of deposit, bankers' acceptances and commercial paper.

Cash, equivalents and investments are recorded at cost which approximates market.

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

Year Ended December 31, 2009	Book Carrying Amounts	Bank Balance
Petty Cash	\$ 1,350	\$ -
Checking Accounts	275,134	\$ 443,829
Money Market Accounts	838,163	686,163
Certificates of Deposit	72,508	72,508
Total	\$ 1,187,155	\$ 1,202,500
Deposits Held in Trust:		
Financial Square Trust Treasury Obligation Fund	782,627	782,627
Total	\$ 1,969,782	\$ 1,985,127

*Interest Rate Risk* – In accordance with its investment policy, the City manages its exposure to declines in fair values by holding investments to maturity.

*Custodial Credit Risk* – This is the risk that in the event of a bank failure, the City's deposits may not be returned to it.

Of the total bank balance at December 31, 2009, \$1,202,500 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.

*Concentration of Credit Risk* – The City's investment policy places limits on the amount the City may invest in any one issuer except for U.S. Treasuries and Agency Securities.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

**4. Capital Assets**

Capital asset activities for the year ended December 31, 2009 were as follows:

**Governmental activities:**

	Balance 1/1/2009	Additions	Retirements	Balance 12/31/2009
Land	\$ 452,032			\$ 452,032
Buildings & improvements	3,382,046	2,111,604		5,493,650
Equipment	1,153,772	43,488		1,197,260
Total	<u>4,987,850</u>	<u>2,155,092</u>	-	<u>7,142,942</u>
Less accumulated depreciation for:				
Buildings & improvements	542,065	94,116		636,181
Equipment	461,777	83,625		545,402
Total	<u>1,003,842</u>	<u>177,741</u>	-	<u>1,181,583</u>
Net capital asset	<u>\$ 3,984,008</u>	<u>\$ 1,977,351</u>	<u>\$ -</u>	<u>\$ 5,961,359</u>

**Business-type activities:**

Land	\$ 205,895			\$ 205,895
Water and sewer system	8,587,204	727,342		9,314,546
Equipment	577,730	88,783	(33,437)	633,076
Total	<u>9,370,829</u>	<u>816,125</u>	<u>(33,437)</u>	<u>10,153,517</u>
Less accumulated depreciation for:				
Water and sewer system	2,386,636	195,914		2,582,550
Equipment	153,978	76,302	(7,563)	222,717
Total	<u>2,540,614</u>	<u>272,216</u>	<u>(7,563)</u>	<u>2,805,267</u>
Net capital asset	<u>\$ 6,830,215</u>	<u>\$ 543,909</u>	<u>\$ (25,874)</u>	<u>\$ 7,348,250</u>

Governmental Activities depreciation expense for the year ended December 31, 2009 is as follows:

Administration	\$ 17,101
Public Safety	42,917
Street	19,904
Recreation	97,819
	<u>\$ 177,741</u>

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

**5. Short-Term Debt**

Short-Term debt was issued and outstanding at December 31, 2009, of \$200,000 and carries an interest rate of 5.75%. Interest is paid monthly and the loan is due September 25, 2010. At that time, the City refinanced the loan at \$150,000. The loan proceeds were used for the aquatic center project.

**6. Long-Term Debt**

The following is a summary of changes in long-term obligations of the City at December 31, 2009:

	Balance January 1, 2009	Issues or Additions	Payments or Expenditures	Balance December 31, 2009	Due Within One Year
<b>Governmental Activities:</b>					
Park COP's-2003	200,000		50,000	150,000	45,000
AT&T telephone lease purchase	3,308		3,308	-	-
Park Refinance COP's-2006	1,495,000		50,000	1,445,000	60,000
Note payable - School District	115,622		57,811	57,811	57,811
Note payable - Greene County		25,000		25,000	10,000
2008 Certificates of Participation	3,010,000			3,010,000	-
Subtotal	4,823,930	25,000	161,119	4,687,811	172,811
Police Building Lease-General Fd	104,000		28,000	76,000	29,000
Total governmental activities	<u>\$ 4,927,930</u>	<u>\$ 25,000</u>	<u>\$ 189,119</u>	<u>\$ 4,763,811</u>	<u>\$ 201,811</u>
<b>Business-Type Activities:</b>					
2002 Revenue Bonds	95,000		45,000	50,000	50,000
2003 Revenue Bonds	265,000		45,000	220,000	40,000
2005 Revenue Bonds	460,000		15,000	445,000	20,000
2008 Certificates of Certification	2,305,000			2,305,000	-
AT&T telephone lease purchase	1,655		1,655	-	-
Total business-type activities	<u>\$ 3,126,655</u>	<u>\$ -</u>	<u>\$ 106,655</u>	<u>\$ 3,020,000</u>	<u>\$ 110,000</u>
Unamortized loss on refunding				11,184	
				<u>\$ 3,008,816</u>	<u>\$ 110,000</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%.

2009 Note payable to Greene County, Missouri for providing proceeds on road improvements dated April 13, 2009, due in 2 annual installments on January 31, 2010 and 2011, interest free.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

2009 Note payable to Greene County, Missouri for providing proceeds on road improvements dated April 13, 2009, due in 2 annual installments on January 31, 2010 and 2011, interest free.

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.

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.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

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

Year Ending December 31,	Principal	Interest	Total
2010	172,811	260,728	433,539
2011	135,000	256,111	391,111
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>\$ 4,687,811</u>	<u>\$ 4,026,292</u>	<u>\$ 8,714,103</u>



CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

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

Year Ending December 31,	Principal	Interest	Total
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
	\$ 3,020,000	\$ 1,708,050	\$ 1,997,467

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	2,920
End of Year	3,023

Risk Coverage	Coverage Amount	Insurer	Expiration Date	Premium
Commercial property and inland marine	9,757,708	Savers Property & Insur	1/1/2010	\$ 71,227
General liability	4,000,000 per occurrence	Savers Property & Insur	1/1/2010	incl above
Automobile liability	2,000,000 per occurrence	Savers Property & Insur	1/1/2010	incl above

**B. Capitalized Lease Obligations**

The City has entered into a cancelable lease for the construction of a police building. The asset has been capitalized at cost on the Government-wide Statement of Net Assets. Although the agreement provides for a cancellation clause each year, Section L20, "Leases," of the Governmental Accounting Standards Board's *Codification of*

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

*Governmental Accounting and Financial Reporting Standards* addresses the legal restrictions imposed and for financial statement presentation this lease is accounted for as a capital lease.

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

Year Ending December 31,	Police Building Lease
2010	32,450
2011	32,975
2012	16,400
2013	-
Total	81,825
Less amount to interest	(5,825)
Present value of lease payments	\$ 76,000

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.

**7. 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.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

**8. 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 5.2% (general) and 5.1% (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 2009, the political subdivision's annual pension cost of \$90,568 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2007 and/or February 29, 2008 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 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, 2009 was 25 years.

CITY OF WILLARD, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

Three-Year Trend Information			
Fiscal Year	Annual Pension	Percentage of	Net Pension
Ending	Cost (APC)	APC Contributed	Obligation
6/30/2007	\$ 74,594	100%	\$ -
6/30/2008	\$ 84,466	100%	\$ -
6/30/2009	\$ 90,568	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
2/28/2007	\$ 221,526	\$ 302,158	\$ 80,632	73%	\$ 853,139	9%
2/29/2008	\$ 311,629	\$ 369,236	\$ 57,607	84%	\$ 818,951	7%
2/28/2009	\$ 334,914	\$ 493,649	\$ 158,735	68%	\$ 968,793	16%

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.

**9. Operating Lease Commitments**

The City leases office equipment under a cancelable operating lease with terms of three years. The following is a schedule by years of future minimum rentals under the leases at December 31, 2009:

Year Ended:	
2010	\$ 5,394
2011	5,394
2012	449
2013	-
2014	-
	\$ 11,237

**10. Deficit Unreserved Fund Balance**

The Park Fund had a deficit fund balance at December 31, 2009 of (\$327,239) due to capital costs exceeding the debt proceeds for the aquatic center.

SUPPLEMENTARY INFORMATION

CITY OF WILLARD, MISSOURI  
 Budgetary Comparison Schedule - Modified Cash Basis  
 General Fund  
 Year Ended December 31, 2009

	Original Budget	Budget as Amended	Actual	Variance from amended Positive (Negative)
<b>Revenues</b>				
Tax Revenues	\$ 1,109,750	\$ 1,058,610	\$ 1,141,164	\$ 82,554
License and permits	26,750	16,900	20,617	3,717
Fines and forfeitures	50,500	69,800	77,110	7,310
Intergovernmental revenue		81,400	185,317	103,917
Interest	7,500	2,500	2,776	276
Other	35,000	202,000	85,011	(116,989)
<b>Total Revenues</b>	<b>1,229,500</b>	<b>1,431,210</b>	<b>1,511,995</b>	<b>80,785</b>
<b>Expenditures</b>				
Administration	181,240	224,100	221,952	(2,148)
Public safety	652,500	710,065	701,255	(8,810)
Street	252,454	407,900	397,007	(10,893)
Planning and development	86,850	92,690	92,517	(173)
Emergency management	24,509	26,430	26,296	(134)
Debt service:				
Principal	28,000	28,000	28,000	-
Interest and fees	4,850	4,850	4,848	(2)
<b>Total Expenditures</b>	<b>1,230,403</b>	<b>1,494,035</b>	<b>1,471,875</b>	<b>(22,160)</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(903)</b>	<b>(62,825)</b>	<b>40,120</b>	<b>102,945</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)		85,000	(85,000)	(170,000)
Loan proceeds			25,000	25,000
Sale of property and equipment	1,000	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,000</b>	<b>85,000</b>	<b>(60,000)</b>	<b>(145,000)</b>
<b>Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>97</b>	<b>22,175</b>	<b>(19,880)</b>	<b>(42,055)</b>
<b>Fund Balance, January 1</b>	<b>376,221</b>	<b>376,221</b>	<b>376,221</b>	<b>-</b>
<b>Fund Balance, December 31</b>	<b>\$ 376,318</b>	<b>\$ 398,396</b>	<b>\$ 356,341</b>	<b>\$ (42,055)</b>

See accompanying notes to the RSI.

CITY OF WILLARD, MISSOURI  
 Budgetary Comparison Schedule - Modified Cash Basis  
 Park Fund  
 Year Ended December 31, 2009

	Original Budget	Budget as Amended	Actual	Variance from amended Positive (Negative)
Revenues				
Tax revenue	\$ 637,500	\$ 413,900	\$ 438,966	\$ 25,066
Charges for services	297,000	340,235	350,658	10,423
Interest	9,000	250	350	100
Other	17,000	54,500	62,719	8,219
Total Revenues	<u>960,500</u>	<u>808,885</u>	<u>852,693</u>	<u>43,808</u>
Expenditures				
Recreation	578,500	906,168	909,013	2,845
Capital outlay	2,630,000	70,539	2,069,151	1,998,612
Debt service:				
Principal	105,000	157,811	157,811	-
Interest and fees	243,400	293,150	294,053	903
Total Expenditures	<u>3,556,900</u>	<u>1,427,668</u>	<u>3,430,028</u>	<u>2,002,360</u>
Excess (Deficit) of Revenues Over Expenditures	(2,596,400)	(618,783)	(2,577,335)	(1,958,552)
Other Financing Sources (Uses)				
Debt proceeds, net of issuance costs	2,600,000	216,600	16,596	(200,004)
Transfers in (out)		85,000	85,000	-
Total Other Financing Sources (Uses)	<u>2,600,000</u>	<u>301,600</u>	<u>101,596</u>	<u>(200,004)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,600	(317,183)	(2,475,739)	(2,158,556)
Fund Balance, January 1	<u>2,487,878</u>	<u>2,487,878</u>	<u>2,487,878</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 2,491,478</u>	<u>\$ 2,170,695</u>	<u>\$ 12,139</u>	<u>\$ (2,158,556)</u>

CITY OF WILLARD, MISSOURI

Notes to the Required Supplementary Information - Budget Comparisons

December 31, 2009

**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 General Fund had expenditures exceeding the budget by \$62,840 due to the \$85,000 transfer to park shown as a revenue rather than an appropriation. The Park Fund had expenditures exceeding the budget by \$2,002,360 due to the pool renovation project not being budgeted.