

CITY OF WILLARD, MISSOURI

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2011

CITY OF WILLARD, MISSOURI
 Audit Report
 December 31, 2011

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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, 2011 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, 2011 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 36-38 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.

Officer CPA Firm LLC

July 6, 2012

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, 2011. 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 \$7,537,211 on December 31, 2011, an increase of \$18,030 over the previous fiscal year combined net assets of \$7,519,181.
- Proprietary Fund net assets totaled \$6,016,724
- Governmental Fund net assets total \$1,520,487

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		
	Government-wide	Governmental Funds	Proprietary Funds
<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 \$7,537,211 at December 31, 2011. (See Table A-1).

The largest portion of the City's net assets (75%) 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 \$968,264 may be used to meet the City's ongoing obligations to citizens and creditors.

Table A-1

City of Willard

Government-wide Statement of Net Assets

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current and other assets	\$846,231	\$2,099,971	\$2,946,202
Capital Assets	<u>5,679,274</u>	<u>6,873,343</u>	<u>12,552,617</u>
Total Assets	\$6,525,505	\$8,973,314	\$15,498,819
 LIABILITIES			
Other Liabilities	\$755,018	\$247,709	\$1,002,727
Long Term Debt	<u>4,250,000</u>	<u>2,708,881</u>	<u>6,958,881</u>
Total Liabilities	\$5,005,018	\$3,043,403	\$7,961,608
 NET ASSETS			
Investment in Capital Assets,			
Net of Related Debt	\$1,283,274	\$4,004,626	\$5,287,900
Restricted	315,010	925,855	1,240,865
Unrestricted	<u>(77,797)</u>	<u>1,086,243</u>	<u>1,008,446</u>
Total Net Assets	\$1,520,487	\$6,016,724	\$7,537,211

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
REVENUES			
Program Revenues			
Charges for Services	394,370	\$ 2,002,224	\$ 2,332,317
Operating grants	14,748		14,748
Capital Grants & Contributions			-
General Revenues			
Taxes	1,724,727		1,724,727
Interest & Investment	1,680	2,842	4,522
Miscellaneous	87,614	4,633	92,247
	<hr/>	<hr/>	<hr/>
Total Revenues	2,223,139	2,009,699	4,168,561
EXPENSES			
Administration	303,392		303,392
Public Safety	692,005		692,005
Street	172,614		172,614
Recreation	725,518		725,518
Planning and development	68,061		68,061
Emergency management	17,427		17,427
Interest on Long Term Debt	271,242		271,242
Water and Sewer		1,965,205	1,965,205
	<hr/>	<hr/>	<hr/>
Total Expenses	2,250,259	1,965,205	4,215,464
INCREASE (DECREASE) IN NET ASSET	(27,120)	45,150	18,030
NET ASSETS AT BEGINNING	1,547,607	5,971,574	7,519,181
NET ASSETS AT END OF YEAR	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	1,520,487	6,016,724	7,537,211

Governmental Activities decreased the City's total net assets resulting in net assets from governmental activities of \$1,520,487. 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 \$2,396,594.

Business-type activities increased the City's total net assets to \$7,537,211. Primary segments of this increase were as follows:

- The cost of all activities in 2011 was \$4,215,464
- Some of the costs were paid by those who directly benefited from the programs; such as water, sewer and trash services of \$1,965,205 and park programs and services, \$725,518.

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 \$333,647

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 (\$96,434).

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 \$6,016,724, an increase of \$45,150 over the beginning balance of \$5,971,574. 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 \$1,245,128.00.

On the revenue side, the budgeted amount before adjustments was \$1,229,100.00 with actual revenues in the General Fund totaling \$1,240,043.00. As noted earlier:

- All capital improvement sales tax was dedicated to the Park Fund.
- Capital expenditures and hiring in all departments was frozen during 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities as of December 31, 2011, amounted to \$6,525,505. 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 2011 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.

Debt

At year-end the City had \$4,250,000 in long-term obligations outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Statement of Debt

Long Term Debt Obligations

	<u>12/31/2011</u>
06 Certificates - Park	1,335,000
03 Certificates - Park	35,000
Police Bdlg - Lease	16,000
03 Water/Sewer Bond	135,000
05 Sewer	405,000
Meadows 2008 Certificates	2,275,000
2008 Park Certificate	3,010,000
Totals	<u><u>\$7,211,000</u></u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Total General Revenue Fund revenues for 2012 are projected to increase approximately 3% from the budgeted amount for Fiscal 2011. Increases are conservatively projected in all areas of revenue due to the growth of the city, residential and commercial. Property tax rates for 2011, 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 numbers are put in place on January 1, 2012. Sales tax revenues will continue to increase due to population growth and new commercial development. Conservative estimates for revenue growth are projected for 2012 due to the downturn in the national economy.

Total expenditures budgeted for the General Fund in Fiscal 2012 are \$1,118,040. Several city positions remain frozen due to the economy and workloads continue to be a concern. New equipment in each department continues to be a need. No capital equipment purchases or capital projects are being proposed for 2012.

The 2012 budget for the General Fund provides for no capital equipment for any departments. Projects to be completed in 2012 include the lagoon/sewer improvements, Regional Lift Station improvements, and water line improvements.

The Park Fund budget provides for staffing and supplies to maintain current programs and events. Scheduled projects include sports equipment improvements, and maintenance equipment purchases. Hiring of personnel will continue on a restricted schedule due to the need to conserve funds.

In recent years 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, 2011 with Comparative Data

	December 31, 2011			Comparative Data December 31, 2010
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 268,035	\$ 579,239	\$ 847,274	\$ 606,480
Investments	74,686		74,686	73,663
Receivables				
Taxes	169,045		169,045	168,527
Other		363	363	326
Due from other funds	19,455	450,874	470,329	661,282
Restricted Assets				
Cash and cash equivalents	315,010	1,069,495	1,384,505	1,411,077
Capital Assets:				
Land	452,032	205,895	657,927	657,927
Building and improvements	5,578,738		5,578,738	5,572,025
Water and sewer system		9,314,550	9,314,550	9,314,550
Equipment	1,218,490	639,359	1,857,849	1,833,813
Accumulated depreciation	(1,569,986)	(3,346,297)	(4,916,283)	(4,438,534)
Bond issuance costs, net		59,836	59,836	68,347
TOTAL ASSETS	6,525,505	8,973,314	15,498,819	15,929,483
LIABILITIES				
Current Liabilities:				
Accrued expenses		4,069	4,069	5,353
Short term note payable	134,935		134,935	149,935
Customer deposits	3,754	143,640	147,394	145,385
Due to other funds	470,329		470,329	661,281
Current portion of long-term debt	146,000	100,000	246,000	246,000
Total Current Liabilities	755,018	247,709	1,002,727	1,207,954
Long-term Liabilities, net of current portion:				
Long-term debt	4,250,000	2,715,000	6,965,000	7,211,000
Deferred amount on refinancing		(6,119)	(6,119)	(8,652)
Total Long-term Liabilities	4,250,000	2,708,881	6,958,881	7,202,348
TOTAL LIABILITIES	5,005,018	2,956,590	7,961,608	8,410,302
NET ASSETS				
Invested in capital assets, net of related debt	1,283,274	4,004,626	5,287,900	5,491,433
Restricted	315,010	925,855	1,240,865	1,291,527
Unrestricted	(77,797)	1,086,243	1,008,446	736,221
TOTAL NET ASSETS	\$ 1,520,487	\$ 6,016,724	\$ 7,537,211	\$ 7,519,181

CITY OF WILLARD, MISSOURI

Government-wide Statement of Activities - Modified Cash Basis
For the year ended December 31, 2011 With Comparative Data

December 31, 2011

Program Activities	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			Comparative Data Dec. 31, 2010
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
Administration	\$ 303,392	\$ 25,376			\$ (278,016)	\$ (278,016)	\$ (278,016)	\$ (210,717)
Public safety	692,005	76,794	8,194		(607,017)	(607,017)	(607,017)	(504,449)
Street	172,614				(172,614)	(172,614)	(172,614)	(119,449)
Recreation	725,518	289,540	6,554		(429,424)	(429,424)	(429,424)	(463,916)
Planning and development	68,061	2,660			(65,401)	(65,401)	(65,401)	(155,930)
Emergency management	17,427				(17,427)	(17,427)	(17,427)	(23,526)
Interest on long-term debt	271,242				(271,242)	(271,242)	(271,242)	(254,731)
Total governmental activities	2,250,259	394,370	14,748	-	(1,841,141)	-	(1,841,141)	(1,732,718)
Business-type activities								
Water	979,128	1,029,824		656		51,352	51,352	113,853
Wastewater	986,077	972,400				(13,677)	(13,677)	(20,566)
Total Business-type activities	1,965,205	2,002,224	-	656	-	37,675	37,675	93,287
Total primary government	\$ 4,215,464	\$ 2,396,594	\$ 14,748	\$ 656	(1,841,141)	37,675	(1,803,466)	(1,639,431)
General Revenues:								
Taxes					1,724,727		1,724,727	1,621,931
Interest and Investment Earnings					1,680	2,842	4,522	5,012
Miscellaneous					87,614	4,633	92,247	93,842
Total General Revenues and transfers					1,814,021	7,475	1,821,496	1,720,785
Change in Net Assets					(27,120)	45,150	18,030	81,354
Net Assets at Beginning of Year					1,547,607	5,971,574	7,519,181	7,437,827
Net Assets at End of Year					\$ 1,520,487	\$ 6,016,724	\$7,537,211	\$ 7,519,181

CITY OF WILLARD, MISSOURI
 Balance Sheet - Modified Cash Basis
 Governmental Funds
 December 31, 2011 With Comparative Data

	General Fund	Park Fund	Dec. 31, 2011 Total Governmental Funds	Comparative Data Dec. 31, 2010
ASSETS AND OTHER DEBITS				
Unrestricted Assets:				
Cash and cash equivalents	\$ 113,816	\$ 154,219	\$ 268,035	\$ 126,727
Investments	74,686		74,686	73,663
Taxes receivable	129,444	39,601	169,045	168,527
Due from other funds	19,455		19,455	371,376
Restricted Assets:				
Cash and cash equivalents		315,010	315,010	315,010
TOTAL ASSETS AND OTHER DEBITS	\$ 337,401	\$ 508,830	\$ 846,231	\$ 1,055,303
LIABILITIES AND FUND BALANCES				
Due to other funds		\$ 470,329	\$ 470,329	\$ 661,281
Short term note payable		\$ 134,935	134,935	\$ 149,935
Customer deposits	\$ 3,754		3,754	8,683
Total Liabilities	3,754	605,264	609,018	819,899
Fund Balances:				
Restricted		315,010	315,010	315,010
Committed			-	
Assigned			-	
Unassigned	333,647	(411,444)	(77,797)	(79,606)
Total Fund balances	333,647	(96,434)	237,213	235,404
TOTAL LIABILITIES AND FUND BALANCES	\$ 337,401	\$ 508,830	\$ 846,231	\$ 1,055,303

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI

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

December 31, 2011 With Comparative Data

	December 31, 2011	December 31, 2010
Total fund balance - total governmental funds	<u>\$ 237,213</u>	<u>\$ 235,404</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,679,274	5,859,203
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.	(4,396,000)	(4,547,000)
Net assets of governmental activities	<u><u>\$ 1,520,487</u></u>	<u><u>\$ 1,547,607</u></u>

CITY OF WILLARD, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis

Governmental Funds

Year Ended December 31, 2011 With Comparative Data

			December 31, 2011	Comparative
	General	Park	Total	Data
	Fund	Fund	Governmental	December 31, 2010
	Fund	Fund	Funds	December 31, 2010
REVENUES				
Tax revenues	\$ 1,025,792	\$ 698,935	\$ 1,724,727	\$ 1,621,931
License and permits	28,036		28,036	42,503
Fines and forfeitures	76,794		76,794	105,663
Charge for services		289,540	289,540	311,615
Intergovernmental revenues	8,194	6,554	14,748	97,403
Interest	1,587	93	1,680	1,507
Other	57,393	30,221	87,614	90,861
TOTAL REVENUES	1,197,796	1,025,343	2,223,139	2,271,483
EXPENDITURES				
Administrative	292,904		292,904	238,002
Public safety	655,239		655,239	682,137
Street	154,941		154,941	174,637
Recreation		610,517	610,517	658,785
Planning and development	68,061		68,061	155,930
Emergency management	17,427		17,427	23,526
Debt service:				
Principal	31,000	120,000	151,000	191,811
Interest and fiscal fees	1,975	269,267	271,242	279,731
TOTAL EXPENDITURES	1,221,547	999,784	2,221,331	2,404,559
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(23,751)	25,559	1,808	(133,076)
OTHER FINANCING SOURCES (USES)			-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
REVENUES AND OTHER SOURCES OVER				
(UNDER) EXPENDITURES AND OTHER USES	(23,751)	25,559	1,808	(133,076)
FUND BALANCE (DEFICIT), January 1	357,398	(121,993)	235,405	368,481
FUND BALANCE (DEFICIT), December 31	\$ 333,647	\$ (96,434)	\$ 237,213	\$ 235,405

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 - Modified Cash Basis

Year Ended December 31, 2011 With Comparative Data

	December 31, 2011	December 31, 2010
Net change in fund balances - total governmental funds	<u>\$ 1,808</u>	<u>\$ (133,076)</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.	(179,928)	(102,154)
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.	151,000	216,811
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>\$ (27,120)</u>	<u>\$ (18,419)</u>

CITY OF WILLARD, MISSOURI
Statement of Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2011 with Comparative Data

	December 31, 2011	December 31, 2010
	<u> </u>	<u> </u>
ASSETS AND OTHER DEBITS		
Current assets:		
Cash and cash equivalents	\$ 579,239	\$ 479,753
Due from other funds	450,874	289,906
Returned checks receivable	363	326
Total current assets	<u>1,030,476</u>	<u>769,985</u>
Restricted assets:		
Cash	<u>1,069,495</u>	<u>1,096,067</u>
Capital Assets		
Land	205,895	205,895
Equipment	639,359	619,697
Water plant	4,191,161	4,191,161
Sewer plant	5,123,389	5,123,389
Less accumulated depreciation	<u>(3,346,297)</u>	<u>(3,059,564)</u>
Net capital assets	<u>6,813,507</u>	<u>7,080,578</u>
Bond issuance costs, net	<u>59,836</u>	<u>68,347</u>
TOTAL ASSETS	<u><u>\$ 8,973,314</u></u>	<u><u>\$ 9,014,977</u></u>
LIABILITIES		
Current Liabilities:		
Accrued expenses	\$ 4,069	\$ 5,353
Water meter deposits	143,640	136,702
Current portion of long term debt	<u>100,000</u>	<u>95,000</u>
Total current liabilities	<u>247,709</u>	<u>237,055</u>
Noncurrent liabilities		
Revenue bonds payable	475,000	540,000
Lease purchase payable	2,240,000	2,275,000
Deferred amount on refinancing	<u>(6,119)</u>	<u>(8,652)</u>
Total noncurrent liabilities	<u>2,708,881</u>	<u>2,806,348</u>
TOTAL LIABILITIES	<u>2,956,590</u>	<u>3,043,403</u>
Net Assets:		
Invested in capital assets, net of related debt	4,004,626	4,179,230
Restricted	925,855	976,517
Unrestricted	<u>1,086,243</u>	<u>815,827</u>
TOTAL NET ASSETS	<u><u>\$ 6,016,724</u></u>	<u><u>\$ 5,971,574</u></u>

CITY OF WILLARD, MISSOURI

Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis

Proprietary Funds

Year Ended December 31, 2011 With Comparative Data

	December 31, 2011	December 31, 2010
OPERATING REVENUES		
Water	\$ 856,603	\$ 852,220
Wastewater	972,400	879,954
Trash	173,221	140,362
Miscellaneous income	4,633	2,981
TOTAL OPERATING REVENUES	2,006,857	1,875,517
OPERATING EXPENSES		
Water services		
Depreciation and amortization	144,598	144,777
Personnel costs	264,292	254,628
Occupancy	282,312	231,702
Administrative	29,971	32,633
Outside services	215,334	152,443
Sewerage services		
Depreciation and amortization	150,646	153,553
Personnel costs	253,047	254,352
Occupancy	134,058	115,399
Administrative	31,873	34,767
Outside services	312,471	256,488
TOTAL OPERATING EXPENSES	1,818,602	1,630,742
OPERATING INCOME (LOSS)	188,255	244,775
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,842	3,505
Intergovernmental revenues	656	
Interest expense and agent fees	(146,603)	(148,507)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(143,105)	(145,002)
CHANGE IN NET ASSETS	45,150	99,773
TOTAL NET ASSETS, January 1	5,971,574	5,871,801
TOTAL NET ASSETS, December 31	\$ 6,016,724	\$ 5,971,574

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI
Statement of Cash Flows - Modified Cash Basis
Proprietary Fund
Year Ended December 31, 2011 With Comparative Data

	December 31, 2011	December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,013,757	\$ 1,892,969
Cash payments for personnel	(517,339)	(508,980)
Cash payments for materials and services	(1,168,270)	(1,034,983)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>328,148</u>	<u>349,006</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(19,662)	(21,944)
Intergovernmental revenues	656	-
Interest and fees paid on revenue bonds	(144,070)	(145,975)
Principal paid on revenue bonds	(95,000)	(110,000)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(258,076)</u>	<u>(277,919)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,842	3,505
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>2,842</u>	<u>3,505</u>
NET INCREASE IN CASH AND RESTRICTED CASH	72,914	74,592
CASH AND RESTRICTED CASH, JANUARY 1	<u>1,575,820</u>	<u>1,501,228</u>
CASH AND RESTRICTED CASH, DECEMBER 31	<u><u>\$ 1,648,734</u></u>	<u><u>\$ 1,575,820</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income (loss)	\$ 188,255	\$ 244,775
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	295,244	298,330
Increase (decrease) in due to other funds	(160,968)	(213,343)
Increase (decrease) in other receivables	(37)	298
Increase (decrease) in accrued expenses	(1,284)	1,792
Increase (decrease) in customer meter deposits	6,938	17,152
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u><u>\$ 328,148</u></u>	<u><u>\$ 349,004</u></u>

See accompanying notes to the financial statements.

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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. Government-wide and Fund Financial Statements

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54 – *Fund Balance Reporting and Government Fund Type Definitions*. This Statement establishes fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures. The City has implemented this standard effective January 1, 2011.

The basic financial statements include both government-wide financial statements (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a modified cash basis, which incorporates long-term debt and obligations.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or activity. Program

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

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 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.

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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

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.

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.

All governmental funds utilize a “current financial resources” measurement focus. Only cash and current taxes receivable are 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.

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

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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. Inter-fund 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.

The loan from the Water and Sewer Fund in the net amount of \$450,874 as of December 31, 2011 was used for the construction and operation of the aquatic center and other park projects. Resolution #R111114 was adopted for a long-term re-payment plan as follows:

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

<u>Year</u>	<u>Amount</u>
2012	\$ 10,000
2013	20,000
2014	50,000
2015	50,000
2016	50,000
2017	50,000
2018	55,000
2019	55,000
2020	55,000
2021	55,874
Total	<u>450,874</u>

The inter-fund loan is interest free.

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.

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.

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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.

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. 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.

L. 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 inter-fund 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 inter-fund transfers are reported as operating transfers.

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

M. 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.

N. Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the board of aldermen - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board of aldermen removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The board of aldermen have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

CITY OF WILLARD, MISSOURI
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2011

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	10,589	10,589
Total Reserved - Park Fund	\$ 315,010	\$ 315,010

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, 2011, 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, 2011:

	Restricted Cash and Investments	Restricted Net Assets
Reserved for customer deposits	\$ 136,800	\$ -
Reserved for construction	349,983	\$ 349,983
Reserved for debt service	582,712	582,712
Total Reserved - Water/Sewer Fund	\$ 1,069,495	\$ 932,695

3. Cash and Equivalents

The Board of Aldermen has 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:

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

Year Ended December 31, 2010	Book Carrying Amounts	Bank Balance
Petty Cash	\$ 590	\$ -
Checking Accounts	162,564	\$ 443,829
Money Market Accounts	1,285,860	686,163
Certificates of Deposit	74,686	74,686
Total	\$ 1,523,700	\$ 1,204,678
Deposits Held in Trust:		
Financial Square Trust Treasury Obligation Fund	772,177	772,177
Total	\$ 2,295,877	\$ 1,976,855

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, 2011, \$1,202,929 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, 2011

4. Capital Assets

Capital asset activities for the year ended December 31, 2011 were as follows:

Land	\$ 452,032			\$ 452,032
Buildings & improvements	5,572,025	6,713		5,578,738
Equipment	1,214,118	4,372		1,218,490
Total	<u>7,238,175</u>	<u>11,085</u>	<u>-</u>	<u>7,249,260</u>
Less accumulated depreciation for:				
Buildings & improvements	754,718	119,047		873,765
Equipment	624,252	71,969		696,221
Total	<u>1,378,970</u>	<u>191,016</u>	<u>-</u>	<u>1,569,986</u>
Net capital asset	<u>\$ 5,859,205</u>	<u>\$ (179,931)</u>	<u>\$ -</u>	<u>\$ 5,679,274</u>
 Business-type activities:				
Land	\$ 205,895			\$ 205,895
Water and sewer system	9,314,550			9,314,550
Equipment	619,697	19,662		639,359
Total	<u>10,140,142</u>	<u>19,662</u>	<u>-</u>	<u>10,159,804</u>
Less accumulated depreciation for:				
Water and sewer system	2,791,791	208,962		3,000,753
Equipment	267,773	77,771		345,544
Total	<u>3,059,564</u>	<u>286,733</u>	<u>-</u>	<u>3,346,297</u>
Net capital asset	<u>\$ 7,080,578</u>	<u>\$ (267,071)</u>	<u>\$ -</u>	<u>\$ 6,813,507</u>

Governmental Activities depreciation expense for the year ended December 31, 2011 is as follows:

Administration	\$ 14,860
Public Safety	36,769
Street	24,386
Recreation	115,001
	<u>\$ 191,016</u>

5. Short-Term Debt

Short-Term debt was issued and outstanding at December 31, 2011, of \$134,935 and carries an interest rate of 5.25%. Interest is paid monthly and the loan is due September 25, 2012. The loan proceeds were used for the aquatic center project.

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

6. Long-Term Debt

The following is a summary of changes in long-term obligations of the City at December 31, 2011:

	Balance January 1, 2011	Issues or Additions	Payments or Expenditures	Balance December 31, 2011	Due Within One Year
Governmental Activities:					
Park COP's-2003	105,000		50,000	55,000	55,000
Park Refinance COP's-2006	1,385,000		70,000	1,315,000	75,000
2008 Certificates of Participation	3,010,000			3,010,000	-
Subtotal	4,500,000	-	120,000	4,380,000	130,000
Police Building Lease-General Fd	47,000		31,000	16,000	16,000
Total governmental activities	<u>\$ 4,547,000</u>	<u>\$ -</u>	<u>\$ 151,000</u>	<u>\$ 4,396,000</u>	<u>\$ 146,000</u>
Business-Type Activities:					
2003 Revenue Bonds	180,000		45,000	135,000	45,000
2005 Revenue Bonds	425,000		20,000	405,000	20,000
2008 Certificates of Certification	2,305,000		30,000	2,275,000	35,000
Total business-type activities	<u>\$ 2,910,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 2,815,000</u>	<u>\$ 100,000</u>
Unamortized loss on refunding				6,120	
				<u>\$ 2,808,880</u>	<u>\$ 100,000</u>
Total long-term debt	<u>\$ 7,457,000</u>	<u>\$ -</u>	<u>\$ 246,000</u>	<u>\$ 7,204,880</u>	<u>\$ 246,000</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.

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.

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

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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
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>\$ 4,380,000</u>	<u>\$ 3,509,453</u>	<u>\$ 7,889,453</u>

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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

Year Ending December 31,	Principal	Interest	Total
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>\$ 2,815,000</u>	<u>\$ 1,426,168</u>	<u>\$ 1,510,585</u>

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

	<u>Number of Customers</u>
Beginning of Year	3,067
End of Year	3,049

Risk Coverage	Coverage Amount	Insurer	Expiration Date	Premium
Commercial property and inland marine	10,259,745	Savers Property & Insur	1/1/2012	\$ 84,557
General and auto liability	4,000,000 aggregate	Savers Property & Insur	1/1/2012	incl above
	2,000,000 per occurrence	Savers Property & Insur	1/1/2012	incl above
Worker's compensation	statutory	Mo Employers Mutual	1/1/2012	25,884

B. Capitalized Lease Obligations

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

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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
2012	16,400
2013	-
Total	16,400
Less amount to interest	(400)
Present value of lease payments	\$ 16,000

The interest rates for the capitalized lease is 5% and is 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. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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 401(a) 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

Full-time employees contribute 4% of their gross pay to the pension plan. The June 30th statutorily required contribution rates are 5.2% (general) and 5.4% (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

The subdivision’s annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 49,186
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	49,186
Actual contributions	49,186
Increase (decrease) in NPO	-
NPO beginning of year	-
NPO end of year	\$ -

The annual required contribution (ARC) was determined as part of the February 29, 2009 and February 28, 2010 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% 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 105% of the 1994 Group Annuity

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

Mortality table set back 0 years for men and 0 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 as of February 28, 2009, was 26 years for the General division, 25 years for the Police division. The amortization period as of February 28, 2010 was 23 years for the General division and 23 years for the Police division.

Three-Year Trend Information			
Fiscal Year	Annual Pension	Percentage of	Net Pension
Ending	Cost (APC)	APC Contributed	Obligation
2009	\$ 51,352	100%	\$ -
2010	\$ 52,291	100%	\$ -
2011	\$ 49,186	100%	\$ -

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial	(a) Actuarial	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Valuation	Value of	Entry Age	Unfunded	Funded	Annual	UAL as a
Date	Assets	Actuarial	Accrued	Ratio	Covered	Percentage
		Accrued	Liability		Payroll	of Covered
		Liability	(UAL)			Payroll
2/28/2009	\$ 334,914	\$ 493,649	\$ 158,735	68%	\$ 968,793	16%
2/28/2010	\$ 427,526	\$ 540,454	\$ 112,928	79%	\$ 950,363	12%
2/28/2011	\$ 540,438	\$ 632,181	\$ 91,743	85%	\$ 947,850	10%

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, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF WILLARD, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

9. Operating Lease Commitments

The City leases a building under a cancelable operating lease with a term of five years. The following is a schedule by years of future minimum rentals under the leases at December 31, 2011:

<u>Year Ended:</u>	
2012	6,000
2013	6,000
2014	6,000
2015	6,000
2016	3,000
	<u>\$ 27,000</u>

10. Deficit Unreserved Fund Balance

The Park Fund had a deficit fund balance at December 31, 2011 of (\$411,444) due to insufficient revenues to offset operating expenses.

SUPPLEMENTARY INFORMATION

CITY OF WILLARD, MISSOURI
 Budgetary Comparison Schedule - Modified Cash Basis
 General Fund
 Year Ended December 31, 2011

	Original Budget	Budget as Amended	Actual	Variance from amended Positive (Negative)
Revenues				
Tax Revenues	\$ 1,073,100	\$ 1,007,903	\$ 1,025,792	\$ 17,889
License and permits	28,000	26,000	28,036	2,036
Fines and forfeitures	75,500	62,500	76,794	14,294
Intergovernmental revenue		6,500	8,194	1,694
Interest	4,500	1,450	1,587	137
Other	48,000	135,690	57,393	(78,297)
Total Revenues	1,229,100	1,240,043	1,197,796	(42,247)
Expenditures				
Administration	185,500	288,845	292,904	4,059
Public safety	688,050	649,925	655,239	5,314
Street	181,000	193,753	154,941	(38,812)
Planning and development	109,650	58,610	68,061	9,451
Emergency management	27,525	21,020	17,427	(3,593)
Debt service:				
Principal	31,000	31,000	31,000	-
Interest and fees	1,975	1,975	1,975	-
Total Expenditures	1,224,700	1,245,128	1,221,547	(23,581)
Excess (Deficit) of Revenues Over Expenditures	4,400	(5,085)	(23,751)	(18,666)
Other Financing Sources (Uses)				
Transfers in (out)				-
Total Other Financing Sources (Uses)	-	-	-	-
Revenues and Other Sources Over (Under) Expenditures and Other Uses	4,400	(5,085)	(23,751)	(18,666)
Fund Balance, January 1	357,398	357,398	357,398	-
Fund Balance, December 31	\$ 361,798	\$ 352,313	\$ 333,647	\$ (18,666)

CITY OF WILLARD, MISSOURI
 Budgetary Comparison Schedule - Modified Cash Basis
 Park Fund
 Year Ended December 31, 2011

	Original Budget	Budget as Amended	Actual	Variance from amended Positive (Negative)
Revenues				
Tax revenue	\$ 635,000	\$ 679,200	\$ 698,935	\$ 19,735
Charges for services	340,500	296,500	289,540	(6,960)
Interest	1,500	100	93	(7)
Intergovernmental revenue		6,560	6,554	(6)
Other	30,000	30,400	30,221	(179)
Total Revenues	<u>1,007,000</u>	<u>1,012,760</u>	<u>1,025,343</u>	<u>12,583</u>
Expenditures				
Recreation	974,500	606,115	610,517	4,402
Debt service:				
Principal	120,000	135,000	120,000	(15,000)
Interest and fees	257,290	264,180	269,267	5,087
Total Expenditures	<u>1,351,790</u>	<u>1,005,295</u>	<u>999,784</u>	<u>(5,511)</u>
Excess (Deficit) of Revenues Over Expenditures	(344,790)	7,465	25,559	18,094
Other Financing Sources (Uses)				
Transfers in (out)	350,000			-
Total Other Financing Sources (Uses)	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	5,210	7,465	25,559	18,094
Fund Balance, January 1	<u>(121,993)</u>	<u>(121,993)</u>	<u>(121,993)</u>	<u>-</u>
Fund Balance, December 31	<u>\$ (116,783)</u>	<u>\$ (114,528)</u>	<u>\$ (96,434)</u>	<u>\$ 18,094</u>

CITY OF WILLARD, MISSOURI

Notes to the Required Supplementary Information - Budget Comparisons

December 31, 2011

1. Budgetary Basis

Annual budgets are prepared in accordance state statutes and approved 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

None.