

CITY OF WILLARD, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2012

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Modified Cash Basis	7
Statement of Activities – Modified Cash Basis	8
Statement of Assets and Fund Balances– Governmental Funds– Modified Cash Basis	10
Statement of Receipts, Disbursements, and Changes in Fund Balances – Governmental Funds –Modified Cash Basis	11
Statement of Net Position – Proprietary Fund – Modified Cash Basis.....	12
Statement of Receipts, Disbursements, and Changes in Net Position – Proprietary Fund –Modified Cash Basis.....	13
Statement of Cash Flows – Proprietary Fund – Modified Cash Basis.....	14
Notes to Financial Statements.....	15
SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress	36
Budgetary Comparison Schedule – General Fund.....	37
Budgetary Comparison Schedule – Park Fund.....	39
Note to Budgetary Comparison Schedules	40
OTHER FINANCIAL INFORMATION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42
Schedule of Findings and Responses.....	44



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Willard, Missouri, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, and each major fund of the City of Willard, Missouri, as of December 31, 2012, and the respective changes in the modified cash basis financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note A.

Basis of Accounting

As described in Note A, the City of Willard, Missouri, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this manner.

Report on Supplementary Information

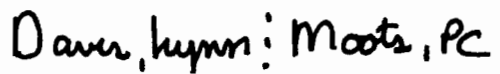
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole that collectively comprise the City of Willard, Missouri's basic financial statements. The budgetary comparison information and Schedule of Funding Progress are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information and the Schedule of Funding Progress is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note A.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2013, on our consideration of the City of Willard, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Willard, Missouri's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Davis, Lynn; Moots, PC". The signature is written in a cursive, slightly slanted style.

DAVIS, LYNN & MOOTS, P.C.
May 13, 2013

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WILLARD, MISSOURI
 STATEMENT OF NET POSITION – MODIFIED CASH BASIS
 December 31, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 516,672	\$ 1,254,708	\$ 1,771,380
Investments - unrestricted	74,895	-	74,895
Cash and cash equivalents - restricted	305,132	621,876	927,008
TOTAL ASSETS	<u>\$ 896,699</u>	<u>\$ 1,876,584</u>	<u>\$ 2,773,283</u>
NET POSITION			
Restricted	\$ 305,132	\$ 621,876	\$ 927,008
Unrestricted	591,567	1,254,708	1,846,275
TOTAL NET POSITION	<u>\$ 896,699</u>	<u>\$ 1,876,584</u>	<u>\$ 2,773,283</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2012

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements), Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Administrative	\$ (264,103)	\$ 5,789	\$ 13,102	\$ -	\$ (245,212)	\$ -	\$ (245,212)
Public safety	(649,128)	70,261	10,379	-	(568,488)	-	(568,488)
Streets	(333,911)	189,939	-	-	(143,972)	-	(143,972)
Planning and development	(51,768)	20,449	-	-	(31,319)	-	(31,319)
Emergency management	(4,237)	-	-	-	(4,237)	-	(4,237)
Parks and recreation	(643,010)	303,362	500	-	(339,148)	-	(339,148)
Debt service	(443,922)	-	-	-	(443,922)	-	(443,922)
TOTAL GOVERNMENTAL ACTIVITIES	(2,390,079)	589,800	23,981	-	(1,776,298)	-	(1,776,298)
Business-Type Activities							
Water and sewer	(1,803,962)	2,062,333	-	-	-	258,371	258,371
TOTAL BUSINESS-TYPE ACTIVITIES	(1,803,962)	2,062,333	-	-	-	258,371	258,371
TOTAL GOVERNMENT	\$ (4,194,041)	\$ 2,652,133	\$ 23,981	\$ -	(1,776,298)	258,371	(1,517,927)
		General Receipts:					
					225,734	-	225,734
					1,212,267	-	1,212,267
					271,901	-	271,901
					189,533	-	189,533
					2	-	2
					1,554	2,591	4,145
					81,163	-	81,163
					33,112	(33,112)	-
					2,015,266	(30,521)	1,984,745
					238,968	227,850	466,818
					657,731	1,648,734	2,306,465
					\$ 896,699	\$ 1,876,584	\$ 2,773,283

See accompanying notes.

FUND FINANCIAL STATEMENTS

CITY OF WILLARD, MISSOURI
STATEMENT OF ASSETS AND FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH
BASIS
December 31, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u>General Fund</u>	<u>Park Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents - unrestricted	\$ 233,603	\$ 283,069	\$ 516,672
Investments - unrestricted	74,895	-	74,895
Cash and cash equivalents - restricted	710	304,422	305,132
TOTAL ASSETS	<u>\$ 309,208</u>	<u>\$ 587,491</u>	<u>\$ 896,699</u>
FUND BALANCE			
Restricted for:			
Court bonds	\$ 710	\$ -	\$ 710
Debt service	-	304,422	304,422
Assigned to:			
Parks and recreation	-	283,069	283,069
Unassigned	308,498	-	308,498
TOTAL FUND BALANCES	<u>\$ 309,208</u>	<u>\$ 587,491</u>	<u>\$ 896,699</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u>General Fund</u>	<u>Park Fund</u>	<u>Total Governmental Funds</u>
RECEIPTS			
Taxes	\$ 1,198,476	\$ 700,961	\$ 1,899,437
Licenses and permits	25,521	-	25,521
Intergovernmental receipts	10,379	500	10,879
Charges for services	190,656	303,362	494,018
Fines and forfeitures	70,261	-	70,261
Miscellaneous	79,865	15,954	95,819
TOTAL RECEIPTS	<u>1,575,158</u>	<u>1,020,777</u>	<u>2,595,935</u>
DISBURSEMENTS			
Current			
Administrative	264,103	-	264,103
Public safety	649,128	-	649,128
Streets	333,911	-	333,911
Planning and development	51,768	-	51,768
Emergency management	4,237	-	4,237
Parks and recreation	-	643,010	643,010
Debt service			
Principal and interest	16,400	427,522	443,922
TOTAL DISBURSEMENTS	<u>1,319,547</u>	<u>1,070,532</u>	<u>2,390,079</u>
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	255,611	(49,755)	205,856
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	(134,905)	168,017	33,112
TOTAL OTHER FINANCING SOURCES (USES)	<u>(134,905)</u>	<u>168,017</u>	<u>33,112</u>
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	120,706	118,262	238,968
FUND BALANCE, January 1, 2012, as restated	188,502	469,229	657,731
FUND BALANCE, December 31, 2012	<u>\$ 309,208</u>	<u>\$ 587,491</u>	<u>\$ 896,699</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
 STATEMENT OF NET POSITION – PROPRIETARY FUND – MODIFIED CASH BASIS
 December 31, 2012

	<u>Water and Sewer Fund</u>
ASSETS	
Cash and cash equivalents - unrestricted	\$ 1,254,708
Cash and cash equivalents - restricted	<u>621,876</u>
TOTAL ASSETS	<u><u>\$ 1,876,584</u></u>
NET POSITION	
Restricted	\$ 621,876
Unrestricted	<u>1,254,708</u>
TOTAL NET POSITION	<u><u>\$ 1,876,584</u></u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION – PROPRIETARY
FUND – MODIFIED CASH BASIS
Year Ended December 31, 2012

	<u>Water and Sewer Fund</u>
OPERATING RECEIPTS	
Charges for services	\$ 2,044,693
Other	<u>17,640</u>
TOTAL OPERATING RECEIPTS	2,062,333
OPERATING DISBURSEMENTS	
Water Services	
Wages and benefits	251,487
Professional services	73,872
Utilities	87,723
Insurance	18,216
Supplies	72,529
Travel, meetings & dues	3,638
Vehicle expense	17,748
Repairs and maintenance	79,741
Advertising	851
Sewer Services	
Wages and benefits	227,131
Professional services	41,029
Sewer charges	339,969
Utilities	51,024
Insurance	12,438
Supplies	34,132
Travel, meetings & dues	3,267
Vehicle expense	12,801
Repairs and maintenance	21,429
Advertising	<u>474</u>
TOTAL OPERATING DISBURSEMENTS	<u>1,349,499</u>
OPERATING INCOME	712,834
NONOPERATING RECEIPTS (DISBURSEMENTS)	
Interest receipts	2,591
Capital outlay	(217,113)
Debt service	
Principal payment	(100,000)
Interest payment	<u>(137,350)</u>
TOTAL NONOPERATING RECEIPTS (DISBURSEMENTS)	<u>(451,872)</u>
INCOME BEFORE OPERATING TRANSFERS (OUT)	260,962
OPERATING TRANSFERS (OUT)	<u>(33,112)</u>
CHANGE IN NET POSITION	227,850
NET POSITION, January 1, as restated	<u>1,648,734</u>
NET POSITION, December 31	<u><u>\$ 1,876,584</u></u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS
Year Ended December 31, 2012

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,062,333
Cash paid to suppliers	(870,881)
Cash paid to employees	(478,618)
	<u>712,834</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	712,834
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) other funds	(33,112)
	<u>(33,112)</u>
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(33,112)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment of debt service	(237,350)
Purchase of capital assets	(217,113)
	<u>(454,463)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(454,463)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	2,591
	<u>2,591</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,591
NET INCREASE IN CASH AND CASH EQUIVALENTS	227,850
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,648,734</u>
CASH AND CASH EQUIVALENTS, End of year	1,876,584
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>621,876</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 1,254,708</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 712,834
Adjustments to reconcile operating income to net cash provided by operating activities	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 712,834</u></u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Willard, Missouri, (the City) operates under a Mayor - Board of Aldermen form of government and provides the following services: public safety, streets, parks and recreation, planning and development, emergency management, and general administrative services. Other services include water, sewer, and trash operations.

The accounting policies of the City conform to the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City of Willard, Missouri, is a primary government that is governed by an elected Board of Aldermen. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in the City's basic financial statements. In addition, the City is not aware of any entity for which the City would be considered as a component unit of that entity.

Basis of Presentation

The basic financial statements include both the government-wide (the Statement of Net Position and the Statement of Activities) and fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities, which are financed mostly through taxes and intergovernmental receipts, are reported separately from business-type activities, which rely mostly on fees and charges for services for support.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FUND FINANCIAL STATEMENTS

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, fund balance, receipts, and disbursements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds of the City are as follows:

GOVERNMENTAL FUND TYPES

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds.

Park Fund: The Park Fund is used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for parks and recreation.

PROPRIETARY FUND TYPE

Water and Sewer Fund: The Water and Sewer Fund accounts for the activities and capital improvements of the City's water and sewer operations.

Basis of Accounting

The government-wide Statement of Assets and Net Position and Statement of Activities, as well as the fund financial statements, are presented using a modified cash basis of accounting. This basis recognizes assets, net position/fund equity, receipts, and disbursements when they result from cash transactions. The modification to the cash basis relates to the presentation of investments. 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 the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenditures/expenses (such as accounts payable and expenditures/expenses for goods or services received but not yet paid, and accrued expenditures and liabilities) *are not recorded* in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting and the proprietary fund would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting and would include fixed assets and long-term debt.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all accounts subject to withdrawal by check or on-demand to be cash equivalents.

Vacation and Sick Leave

Utilization of accumulated vacation and sick leave by employees in future years is not expected to have a material impact on City disbursements in any one year.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

Long-Term Debt

Long-term debt arising from cash transactions is not reported in the government-wide financial statements or the fund financial statements, which is consistent with the modified cash basis of accounting. Debt proceeds are reported as other financing sources and payment of principle and interest is reported as disbursements.

Capital Outlay

Capital assets are property and equipment purchases and are recorded as disbursements at the time the goods are paid for and received.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and net position at the date of the financial statements. Actual results could differ from those estimates.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

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 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 removes the specified use by taking the same type of action imposing the commitment.

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. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the 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.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

In the government-wide and proprietary fund financial statements, equity is displayed in two components as follows:

- A. *Restricted net position* – Consists of the net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- B. *Unrestricted net position* – Consists of the financial position that does not meet the definition of “restricted”.

When an expense is incurred for purposes for which both restricted and unrestricted net position (equity) are available, the City first applies restricted net position.

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the City’s taxpayers are reported as program receipts. These include 1) charges for city court fines, trash service, licenses and permits, planning and zoning services, parks and recreation services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental receipts are reported as general. All taxes are classified as general receipts, even if restricted for a specific purpose.

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City’s deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2012, all bank balances on deposit are entirely insured or collateralized.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE C – INVESTMENTS

Investments of the City of Willard, Missouri, as of December 31, 2012, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	12/19/2013 - 8/17/2014	<u>\$ 74,895</u>

Certificates of Deposit

Certificates of Deposit with maturities in excess of three months are classified as investments but are considered deposits for custodial risk determination. State statutes require that the City’s deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2012, all Certificates of Deposit are entirely insured or collateralized with securities.

Interest Rate Risk

The City’s investment policy limits its exposure to fair value losses arising from rising interest rates by limiting the City’s investment portfolio to short-term maturities. All investments are held to maturity.

NOTE D – RESTRICTED ASSETS

Cash and cash equivalents, fund balance, and net position have been restricted as follows:

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Fund Balance/ Net Position</u>
GENERAL FUND		
Court Bonds	<u>\$ 710</u>	<u>\$ 710</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE D – RESTRICTED ASSETS (continued)

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Fund Balance/ Net Position</u>
PARK FUND		
2008 Certificates of Participation		
Debt Service Reserve Fund	\$ 301,000	\$ 301,000
Principal and interest	3,421	3,421
2003 Certificates of Participation		
Principal and interest	1	1
	<u>\$ 304,422</u>	<u>\$ 304,422</u>
WATER & SEWER FUND		
2003 Water and Sewer Revenue Bond		
Debt Service Reserve Fund	\$ 48,000	\$ 48,000
Principal and Interest Fund	46,500	46,500
Depreciation and Replacement Fund	25,000	25,000
2005 Certificates of Participation		
Debt Service Reserve Fund	49,500	49,500
Construction Fund	905	905
2008 Certificates of Participation		
Debt Service Reserve Fund	231,192	231,192
Construction Fund	59,499	59,499
Customer Utility Deposits	161,280	161,280
	<u>\$ 621,876</u>	<u>\$ 621,876</u>

NOTE E – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable December 31. The county collects the property taxes and remits them to the City.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE E – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN (continued)

The assessed valuation of the tangible property and the tax levies per \$100 assessed valuation of that property were as follows:

Assessed Valuation	<u>2012</u>
Real estate	\$ 43,495,590
Personal property	<u>9,167,739</u>
TOTAL	<u><u>\$ 52,663,329</u></u>
Tax Rates Per \$100 of Assessed Valuation	<u>2012</u>
General Fund	\$.4014
Park Fund	<u>.1228</u>
TOTAL	<u><u>\$.5242</u></u>

The legal debt margin at December 31, 2012, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 5,266,333	\$ 5,266,333	\$ 10,532,666
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u><u>\$ 5,266,333</u></u>	<u><u>\$ 5,266,333</u></u>	<u><u>\$ 10,532,666</u></u>

(1) Under Article VI, Section 26(b) and (c), Missouri Constitution, the City, by vote of its qualified electors voting therein, may incur an indebtedness for any purpose authorized in the charter of the City or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the City.

(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights of way, constructing, extending, and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at December 31, 2012, consists of the 2008 and 2006 Certificates of Participation, Capital Improvements and Street Repairs Loan, and compensated absences.

Certificates of Participation

On October 1, 2008, the City issued \$3,010,000 in Series 2008 Certificates of Participation for the purpose of acquiring, constructing, and installing certain additions to the City’s parks and recreation system, being in particular a new aquatics facility for the City. The Certificates of Participation bear interest from 4.50% to 6.625% with principal payments due May 15 and interest payments due May 15 and November 15 each year. The annual debt service requirements to amortize the principal on the Certificates of Participation outstanding at December 31, 2012, are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 35,000	\$ 190,809	\$ 225,809
2014	30,000	189,227	219,227
2015	30,000	187,636	217,636
2016	25,000	186,179	211,179
2017	25,000	184,853	209,853
2018	20,000	183,662	203,662
2019	15,000	182,690	197,690
2020	5,000	182,103	187,103
2021	5,000	181,810	186,810
2022	-	181,662	181,662
2023	185,000	176,228	361,228
2024	195,000	164,335	359,335
2025	210,000	150,918	360,918
2026	225,000	136,510	361,510
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	50,362	360,362
2032	635,000	20,241	655,241
	<u>\$ 3,010,000</u>	<u>\$ 2,932,025</u>	<u>\$ 5,942,025</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

On November 15, 2006, the City issued \$1,555,000 in Series 2006 Certificates of Participation for the purpose of providing funds to acquire certain additions to the City’s parks and recreation system for the City and provide monies into escrow to refund the remaining Series 2001 Certificates of Participation on August 1, 2008. The Certificates of Participation bear interest from 4.25% to 4.65% with principal payments due May 15 and interest payments due May 15 and November 15 each year. The annual debt service requirements to amortize the principal on the Certificates of Participation outstanding at December 31, 2012, are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 80,000	\$ 54,830	\$ 134,830
2014	90,000	51,127	141,127
2015	95,000	47,012	142,012
2016	105,000	42,561	147,561
2017	115,000	37,666	152,666
2018	125,000	32,201	157,201
2019	140,000	26,040	166,040
2020	155,000	19,182	174,182
2021	160,000	11,857	171,857
2022	175,000	4,069	179,069
	<u>\$ 1,240,000</u>	<u>\$ 326,545</u>	<u>\$ 1,566,545</u>

Loan

On September 25, 2012, the City renewed the balance of a loan obtained from Mid-Missouri Bank originally issued for \$200,000 in 2009 for the purpose of performing capital improvements. The loan bears interest at the rate of 5.25% with interest payments due monthly and principal payments due annually on September 25. The annual debt service requirements to amortize the principal of the loan outstanding at December 31, 2012, are due as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 34,000	\$ 4,853	\$ 38,853
2014	34,000	3,068	37,068
2015	32,935	2,362	35,297
	<u>\$ 100,935</u>	<u>\$ 10,283</u>	<u>\$ 111,218</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

The following table is a summary of the changes in the long-term debt of the governmental activities:

	Balance December 31, 2011	Additions	Retirements	Balance December 31, 2012
2008 Certificates of Participation	\$ 3,010,000	\$ -	\$ -	\$ 3,010,000
2006 Certificates of Participation	1,315,000	-	75,000	1,240,000
2003 Certificates of Participation	55,000	-	55,000	-
Capital improvements Loan	134,935	-	34,000	100,935
Police Station Lease	16,000	-	16,000	-
Compensated Absences	19,856	795	-	20,651
	<u>\$ 4,550,791</u>	<u>\$ 795</u>	<u>\$ 180,000</u>	<u>\$ 4,371,586</u>

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

Long-term debt for business-type activities at December 31, 2012, consists of the 2003 Combined Waterworks and Sewerage Refunding Revenue Bonds, 2005 and 2008 Certificates of Participation, and compensated absences.

Revenue Bonds

On May 12, 2003, the City issued \$480,000 in Combined Waterworks and Sewerage Refunding Revenue Bonds to provide monies into escrow for the purpose of creating advanced refunding of the remaining Series 1995 Bonds on February 1, 2004. The bonds bear interest at the rate of 1.5% to 4.0%. Interest payments are due semi-annually on February 1 and August 1 of each year with principal payments due February 1 of each year. Annual debt service requirements to amortize the principal on the 2003 Combined Waterworks and Sewerage Refunding Revenue Bonds outstanding at December 31, 2012, are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$ 50,000	\$ 2,600	\$ 52,600
2014	40,000	800	40,800
	<u>\$ 90,000</u>	<u>\$ 3,400</u>	<u>\$ 93,400</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

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

Number of Customers	
Beginning of Year	3,049
End of Year	3,120

Risk Coverage	Coverage Amount	Insuror	Expiration Date	Premium
Commercial property and inland marine	Statutory	Saver's Property and Casualty	1/1/2013	\$ 77,221
General and auto liability	Statutory	Saver's Property and Casualty	1/1/2013	25,067
Worker's compensation	\$ 500,000	Midwest Public Risk of Missouri	6/30/2013	18,714

Certificates of Participation

On January 1, 2005, the City issued \$495,000 in Series 2005 Certificates of Participation for the purpose of providing funds to acquire and install improvements to the City's sewer system including equipment for the City. The certificates bear interest from 2.75% to 4.625%. Interest payments are due semi-annually on January 15 and July 15 of each year with annual principal payments due January 15 of each year. Annual debt service requirements to amortize the principal on the Certificates of Participation outstanding at December 31, 2012, are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$ 20,000	\$ 17,041	\$ 37,041
2014	80,000	14,901	94,901
2015	75,000	11,447	86,447
2016	80,000	7,863	87,863
2017	130,000	3,006	133,006
	<u>\$ 385,000</u>	<u>\$ 54,258</u>	<u>\$ 439,258</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

On April 17, 2008, the City issued \$2,305,000 in Series 2008 Certificates of Participation for the purpose of providing funds to acquire certain additions and extensions to the City’s combined waterworks and sewerage system and for additional equipment. The certificates bear interest from 3.875% to 5.30%. Interest payments are due semi-annually on January 15 and July 15 of each year with annual principal payments due January 15 of each year. Annual debt service requirements to amortize the principal on the Certificates of Participation outstanding at December 31, 2012, are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$ 30,000	\$ 111,657	\$ 141,657
2014	35,000	110,359	145,359
2015	40,000	108,821	148,821
2016	45,000	106,989	151,989
2017	50,000	104,851	154,851
2018	125,000	100,914	225,914
2019	135,000	94,811	229,811
2020	140,000	88,107	228,107
2021	145,000	81,161	226,161
2022	155,000	73,848	228,848
2023	160,000	66,170	226,170
2024	170,000	57,807	227,807
2025	180,000	48,620	228,620
2026	190,000	38,908	228,908
2027	200,000	28,620	228,620
2028	440,000	11,660	451,660
	<u>\$ 2,240,000</u>	<u>\$ 1,233,303</u>	<u>\$ 3,473,303</u>

The following table is a summary of the changes in the long-term debt of the business-type activities:

	Balance December 31, 2011	Additions	Retirements	Balance December 31, 2012
2008 Certificates of Participation	\$ 2,275,000	\$ -	\$ 35,000	\$ 2,240,000
2005 Certificates of Participation	405,000	-	20,000	385,000
2003 Revenue Bonds	135,000	-	45,000	90,000
Compensated Absences	6,554	2,545	-	9,099
	<u>\$ 2,821,554</u>	<u>\$ 2,545</u>	<u>\$ 100,000</u>	<u>\$ 2,724,099</u>

NOTE H – 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 disasters. The City has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE I – RETIREMENT PLAN

Plan Description

The City of Willard, Missouri, 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, P.O. Box 1665, Jefferson City, MO 65102, or by calling 1-800-447-4334.

Funding Status

Full-time employees of City of Willard, Missouri, contribute 4% of their gross pay to the pension plan. The June 30th statutorily required contribution rates are 4.7% (General) and 5.7% (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.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE I – RETIREMENT PLAN (continued)

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

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

Annual required contribution	\$ 50,959
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>50,959</u>
Actual contributions	<u>50,959</u>
Increase (decrease) in NPO	-
NPO beginning of year	-
NPO end of year	<u><u>\$ -</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2010, and February 28, 2011, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012, 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 75% of 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 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, 2010, was 23 years for the General division and 23 years for the Police division. The amortization period as of February 28, 2011, was 28 years for the General division and 22 years for the Police division.

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 52,291	100%	\$ -
2011	49,186	100%	-
2012	50,959	100%	-

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE I – RETIREMENT PLAN (continued)

The actuarial valuation revealed the following relating to the financial position of the Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded (Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/29/2012	\$ 691,262	\$ 726,920	\$ 35,658	95%	\$ 998,062	4%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE J – CLAIMS AND JUDGMENTS

The City participates in a number of programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of December 31, 2012, disbursements have not been audited by grantor governments, but the City believes that disallowed disbursements, if any, based on subsequent audits, will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE K – INTERNAL BALANCES

	General Fund	Park Fund	Water and Sewer Fund
Internal balances	\$ 154,360	\$ (638,346)	\$ 483,986

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE K – INTERNAL BALANCES (continued)

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. Due to the modified cash basis of accounting, these transactions are considered transfers in the year incurred, though the City has intentions of repaying the interfund loans from prior and current years.

During the year ended December 31, 2011, the Water and Sewer Fund loaned the Park Fund monies used for the construction and operation of the Aquatic Center and other park projects. The City passed a resolution authorizing the interfund loan and principal payments due as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
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
	<u>\$ 440,874</u>

NOTE L – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2012, were as follows:

	<u>Transfers In (Out)</u>
General Fund	\$ (134,905)
Park Fund	168,017
Water and Sewer Fund	<u>(33,112)</u>
	<u>\$ -</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE L – INTERFUND TRANSFERS (continued)

Transfers are made to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) reimburse various funds for amounts owed from the other funds, and (3) use unrestricted receipts in the Enterprise Fund, General Fund, and Parks Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

NOTE M – RESTATEMENT

During the year ended December 31, 2012, the City made changes to the modified cash basis of accounting. Net position/fund balance have been restated as follows:

General Fund

Fund Balance, as previously stated, December 31, 2011	\$ 333,647
Taxes receivable	(129,444)
Due from other funds	(19,455)
Customer deposits	3,754
Fund Balance, as restated, January 1, 2012	<u>\$ 188,502</u>

Park Fund

Fund Balance, as previously stated, December 31, 2011	\$ (96,434)
Taxes receivable	(39,601)
Due to other funds	470,329
Short-term note payable	134,935
Fund Balance, as restated, January 1, 2012	<u>\$ 469,229</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE M – RESTATEMENT (continued)

Governmental Activities

Net Position, as previously stated, December 31, 2011	\$ 1,520,487
Taxes receivable	(169,045)
Due from other funds	(19,455)
Customer deposits	3,754
Capital assets	(7,249,260)
Accumulated depreciation	1,569,986
Short-term note payable	134,935
Certificates of participation payable	4,396,000
Due to other funds	470,329
Net Position, as restated, January 1, 2012	<u>\$ 657,731</u>

Water and Sewer Fund/Business-Type Activities

Net Position, as previously stated, December 31, 2011	\$ 6,016,724
Due from other funds	(450,874)
Other receivable	(363)
Capital assets	(10,159,804)
Accumulated depreciation	3,346,297
Bond issue costs	(59,836)
Accrued expenses	4,069
Customer deposits	143,640
Revenue bonds payable	540,000
Certificates of participation payable	2,275,000
Deferred loss	(6,119)
Net Position, as restated, January 1, 2012	<u>\$ 1,648,734</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2012

NOTE N – PLEDGED RECEIPTS

The City has pledged future water and sewer customer receipts to repay the 2003 Combined Waterworks & Sewerage System Refunding Revenue Bonds issued to improve and expand the water and sewer system. The bonds are payable solely from water and sewer customer net receipts and are payable through 2014. Net receipts are receipts of the system less disbursements of the system. The total principal and interest remaining to be paid on the bonds is \$93,400. Principal and interest paid for the current year and total customer net receipts were \$49,472 and \$712,834, respectively.

NOTE O – OPERATING LEASE

During 2011, the City entered into a \$30,000 cancelable building operating lease with a term of five years. The following is a schedule of the future minimum rental payments under the lease as of December 31, 2012:

<u>Year Ended December 31,</u>	<u>Amount</u>
2013	\$ 6,000
2014	6,000
2015	6,000
2016	3,000
	<u>\$ 21,000</u>

NOTE P – COMMITMENT

At December 31, 2012, the City was committed to Turner Excavation, LLC for construction related to a water line improvement project in the amount of \$161,759.

SUPPLEMENTARY INFORMATION

CITY OF WILLARD, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended December 31, 2012

Missouri Local Government Employees Retirement System (LAGERS)

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
2/28/2010	\$ 427,526	\$ 540,454	\$ 112,928	79%	\$ 950,363	12%
2/28/2011	540,438	632,181	91,743	85%	947,850	10%
2/29/2012	691,262	726,920	35,658	95%	998,062	4%

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
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
RECEIPTS				
Taxes				
Property taxes	\$ 173,000	\$ 155,000	\$ 172,853	\$ 17,853
Sales taxes	442,500	537,400	564,187	26,787
Franchise taxes	284,000	276,000	271,901	(4,099)
Motor vehicle taxes	142,000	185,000	189,533	4,533
Other taxes	-	-	2	2
	<u>1,041,500</u>	<u>1,153,400</u>	<u>1,198,476</u>	<u>45,076</u>
Licenses and Permits				
Building permits	10,000	17,500	19,732	2,232
Merchants licenses	5,000	2,800	5,789	2,989
	<u>15,000</u>	<u>20,300</u>	<u>25,521</u>	<u>5,221</u>
Intergovernmental receipts				
Grants	-	10,465	10,379	(86)
Charges for Services				
Trash	13,000	185,220	189,939	4,719
Planning and zoning	5,000	750	717	(33)
	<u>18,000</u>	<u>185,970</u>	<u>190,656</u>	<u>4,686</u>
Fines and Forfeitures				
City court fines	75,000	75,000	70,261	(4,739)
Miscellaneous				
Rentals	52,000	52,000	52,504	504
Donations	-	-	13,102	13,102
Interest	1,600	350	1,070	720
Other receipts	2,000	8,730	13,189	4,459
	<u>55,600</u>	<u>61,080</u>	<u>79,865</u>	<u>18,785</u>
TOTAL RECEIPTS	<u>1,205,100</u>	<u>1,506,215</u>	<u>1,575,158</u>	<u>68,943</u>

CITY OF WILLARD, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
DISBURSEMENTS				
Current				
Administrative	209,050	312,900	264,103	48,797
Public safety	631,200	629,014	649,128	(20,114)
Streets	184,200	389,400	333,911	55,489
Planning and development	52,190	50,640	51,768	(1,128)
Emergency management	21,400	20,500	4,237	16,263
Debt service				
Principal and interest	20,000	16,400	16,400	-
TOTAL DISBURSEMENTS	1,118,040	1,418,854	1,319,547	99,307
EXCESS OF RECEIPTS OVER DISBURSEMENTS	87,060	87,361	255,611	168,250
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	43,112	43,112
Operating transfers (out)	(56,000)	(56,000)	(178,017)	(122,017)
TOTAL OTHER FINANCING SOURCES (USES)	(56,000)	(56,000)	(134,905)	(78,905)
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	31,060	31,361	120,706	89,345
FUND BALANCE, January 1, 2012, as restated	266,162	244,525	188,502	(56,023)
FUND BALANCE, December 31, 2012	<u>\$ 297,222</u>	<u>\$ 275,886</u>	<u>\$ 309,208</u>	<u>\$ 33,322</u>

CITY OF WILLARD, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
RECEIPTS				
Taxes				
Ad valorem taxes	\$ 53,000	\$ 53,000	\$ 52,881	\$ (119)
Sales taxes	481,200	481,200	648,080	166,880
	534,200	534,200	700,961	166,761
Charges for services	404,000	404,000	303,362	(100,638)
Intergovernmental receipts	-	-	500	500
Miscellaneous				
Interest	500	500	484	(16)
Rental income	9,850	9,850	12,157	2,307
Other receipts	1,500	1,500	3,313	1,813
	11,850	11,850	15,954	4,104
TOTAL RECEIPTS	950,050	950,050	1,020,777	70,727
DISBURSEMENTS				
Current				
Parks and recreation	548,535	548,535	643,010	(94,475)
Debt service				
Principal and interest	420,000	420,000	427,522	(7,522)
TOTAL DISBURSEMENTS	968,535	968,535	1,070,532	(101,997)
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS				
	(18,485)	(18,485)	(49,755)	(31,270)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	56,000	56,000	178,017	122,017
Operating transfers (out)	-	-	(10,000)	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	56,000	56,000	168,017	112,017
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)				
	37,515	37,515	118,262	80,747
FUND BALANCE, January 1, 2012, as restated	85,273	85,273	469,229	383,956
FUND BALANCE, December 31, 2012	<u>\$ 122,788</u>	<u>\$ 122,788</u>	<u>\$ 587,491</u>	<u>\$ 464,703</u>

CITY OF WILLARD, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2012

Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedules:

1. Prior to January, the Chief Financial Officer submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed disbursement plans and the proposed means of financing them.
2. One public hearing is conducted by the City in late December to obtain taxpayers' comments on the proposed budget.
3. Prior to January 1, the City adopts a budget.
4. The budget for the City is adopted on the modified cash basis. Budgeted amounts may be amended during the year by the City.

OTHER FINANCIAL INFORMATION



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

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LAWRENCE W. DAVIS, CPA
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**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the City of Willard, Missouri, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Willard, Missouri's basic financial statements, and have issued our report thereon, dated May 13, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Willard, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Willard, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. It is identified as item 12-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Willard, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Willard, Missouri's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain other matters that we have reported to management of the City in a separate letter dated May 13, 2013.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Willard, Missouri's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Willard, Missouri's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Davis, Lynn; Moots, PC

DAVIS, LYNN & MOOTS, P.C.
May 13, 2013

CITY OF WILLARD, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2012

12-1 Segregation of duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties.