

City of Willard, Missouri

BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2018

KPM
CPAS & ADVISORS

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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 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, 2018, 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 accounting principles generally accepted in the United States of America; this includes 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 the 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, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the City of Willard, Missouri, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, pension information and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2019, 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.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
May 8, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2018

The Management's Discussion and Analysis of the City of Willard's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the City's financial statements, which begin on page 15.

Financial Highlights

- The net position of the City's governmental activities increased by \$640,179 as a result of current year activities. The net position of the City's business-type activities decreased by \$35,671 for the year.
- The assets and deferred outflows of the City exceeded its liabilities as of December 31, 2018, by \$11,322,796 (net position). Of this amount \$4,522,772 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City increased by \$3,248,406, primarily due to the issuance of the Series 2018 Certificates of Participation in the amount of \$3,600,000.

Using This Report

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, *Is the City as a whole better off or worse off as a result of the year's activities?* The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in them. The City's net position – the difference between assets and deferred outflows and liabilities and deferred inflows – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2018

Government-Wide Financial Statements (continued)

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here. Taxes are the primary sources of financing for these activities.
- **Business-Type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer services are provided here.

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds and not the City as a whole. However, the Board of Aldermen establishes funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

- **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at period-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds are shown in a reconciliation following the fund financial statements.
- **Enterprise Funds** – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2018

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of December 31, 2018 and 2017:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total December 31, 2018</u>	<u>Total December 31, 2017</u>
Assets				
Current and other assets	\$ 1,930,233	\$ 4,559,027	\$ 6,489,260	\$ 4,418,114
Capital assets	5,848,019	8,421,766	14,269,785	12,302,024
Net pension asset	63,919	6,832	70,751	65,893
	<u>7,842,171</u>	<u>12,987,625</u>	<u>20,829,796</u>	<u>16,786,031</u>
Deferred Outflow of Resources				
Deferred pension outflows	92,094	79,354	171,448	137,930
Liabilities				
Other liabilities	277,207	775,240	1,052,447	852,375
Long-term liabilities	3,337,308	5,171,614	8,508,922	5,260,516
	<u>3,614,515</u>	<u>5,946,854</u>	<u>9,561,369</u>	<u>6,112,891</u>
Deferred Inflow of Resources				
Deferred pension inflows	71,924	45,155	117,079	92,782
Net position				
Net investment in capital assets	2,361,649	4,405,359	6,767,008	6,778,128
Restricted	19,942	13,074	33,016	12,605
Unrestricted	1,866,235	2,656,537	4,522,772	3,927,555
	<u>\$ 4,247,826</u>	<u>\$ 7,074,970</u>	<u>\$11,322,796</u>	<u>\$10,718,288</u>

Total net position of the City increased by \$604,508 for the year due to current year activity. Total liabilities for the City have increased by \$3,448,478 primarily due to the issuance of the Series 2018 Certificates of Participation for a sewer project in the amount of \$3,600,000. Restricted net position of the City totaled \$33,016 as of December 31, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2018

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2018	Total Year Ended December 31, 2017
REVENUES				
Program Revenues				
Charges for services	\$ 598,019	\$ 2,628,939	\$ 3,226,958	\$ 3,235,212
Operating grants and contributions	13,707	-	13,707	9,806
Capital grants and contributions	102,064	-	102,064	142,381
General Revenues				
Property taxes	254,225	-	254,225	251,017
Sales taxes	1,497,016	-	1,497,016	1,382,503
Motor vehicle and gas taxes	213,616	-	213,616	213,356
Franchise fees	355,084	-	355,084	325,951
Interest	10,576	69,044	79,620	12,768
Other revenue	21,806	-	21,806	12,707
TOTAL REVENUES	3,066,113	2,697,983	5,764,096	5,585,701
EXPENSES				
Administrative	139,399	-	139,399	215,325
Public Safety	758,191	-	758,191	910,975
Court	97,843	-	97,843	-
Streets	300,038	-	300,038	334,551
Planning and development	72,918	-	72,918	103,265
Emergency management	16,828	-	16,828	20,727
Parks and recreation	901,352	-	901,352	940,340
Debt service	110,381	-	110,381	115,930
Water and sewer	-	2,733,654	2,733,654	2,269,773
TOTAL EXPENSES	2,396,950	2,733,654	5,130,604	4,910,886
SPECIAL ITEM				
(Loss) on disposal of property	(28,984)	-	(28,984)	-
INCREASE (DECREASE) IN NET POSITION	\$ 640,179	\$ (35,671)	\$ 604,508	\$ 674,815

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2018**

Governmental Activities

Governmental activities increased the net position of the City by \$640,179. Tax revenues for the City were \$2,319,941, which represents 76% of the funding of these activities. Program and other revenues for the functions totaled \$713,790, or 24% of the funding. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

**NET COST OF THE CITY OF WILLARD'S
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services	Net Cost of Services
Administrative	\$ 139,399	\$ 43,373
Public safety	758,191	757,115
Court	97,843	29,914
Streets	300,038	203,916
Planning and development	72,918	25,652
Emergency management	16,828	8,519
Parks and recreation	901,352	504,290
Debt service	110,381	110,381
	<u>\$ 2,396,950</u>	<u>\$ 1,683,160</u>

Business-Type Activities

Business-type activities decreased the City's net position by \$35,671.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2018, were \$1,844,757. The General Fund increased by \$580,289. The Park Fund decreased by \$26,112.

General Fund Budgetary Highlights

Differences between the original and the final amended budget can be summarized as follows:

- The original revenue budget of \$2,623,950 was amended to \$2,056,550 during the year.
- The original expenditures budget of \$2,598,275 was amended to \$1,727,290 during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2018

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$5,848,019 (net of accumulated depreciation) as of December 31, 2018. This represents a \$110,987 decrease from the prior year primarily due to the current year provisions for depreciation. Capital assets for business-type activities were \$8,421,766 (net of accumulated depreciation) as of December 31, 2018. This represents an increase of \$2,078,748. The ongoing sewer project totaled \$2,321,042 and equipment was purchased for \$24,504. The current year provision for depreciation was \$266,798.

Debt

Total debt of the governmental activities as of December 31, 2018, was \$3,532,308, which is down from \$3,724,924 in the prior year, primarily due to principal payments on outstanding debt.

Total debt of the business-type activities as of December 31, 2018, was \$5,321,614, which is up from \$1,860,592 in the prior year, primarily due to the issuance of the Series 2018 Certificates of Participation in the amount of \$3,600,000.

Economic Factors and Next Year's Budget

The City is located approximately 7 miles from Springfield, Missouri. The community will see the start of the construction of a four-lane highway on U.S. 160, which should promote economic development and growth in the area. The goals and priorities for the Fiscal 2019 budget were projected with the ongoing growth of the City in mind and how to address it through planning of the infrastructure to accommodate the future growth in the community. The respective projects to address these needs are the sewer system, sidewalks and streets.

Although growth was considered, a conservative approach was used to estimate the revenues for 2019. Revenues were based on the following factors: review of revenue history; economic trends; and fee increases for services provided by the City.

- General Fund revenues for 2019 are projected to be \$2,848,650.
 - Sales tax revenue has been increasing overall each year for the last few years.
 - Grant funds will be received for 80 percent of the Miller Road project.
 - New commercial and residential development continues to occur in the community. New development includes 21 residential permits scheduled for 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2018

Economic Factors and Next Year's Budget (continued)

- The Water/Sewer Fund revenue for 2019 is projected to be \$3,668,743. \$203,867 from reserves will be used to fund projects.
 - Utility rates were increased 5 percent for City accounts.
 - COP proceeds projected at \$800,000 will be received for the sewer project.
- The Parks Fund revenue for 2019 is projected to be \$898,952.
 - An additional \$113,000 will be transferred from the General Fund and \$123,000 will be used from reserves to fund projects.
 - More homes will be under construction with the completion of the 25 lots in Longview Subdivision.
 - The First Baptist Church is planning to build a 15,000-sq. ft. auditorium and should begin construction by mid-summer.
- General Fund expenses are projected to be \$2,809,727.
 - The General Fund will transfer \$113,000 to the Parks Fund in 2019.
 - The widening and improvements to Miller Road will be completed in 2019.
 - There will be design work for a sidewalk on Hunt Road that is planned for construction in 2020.
 - Capital improvements approved include significant upgrades to the backup of data, a secondary server, a new vehicle for the police department, and new computers for the patrol cars.
- Water/Sewer Fund expenses are projected to be \$3,872,020.
 - Capital improvement projects include the I & I on sewer lines.
 - Approximately \$800,000 will be allocated for a sewer project in 2019. The project will include work to improve the capacity in the B-Basin.
 - After the Miller Road improvement is accomplished \$250,000 is allocated for the improvement of water lines beside the road.
- Park Fund expenses are project to be \$1,134,890.
 - The baseball shed and recreation center have \$18,000 for improvements in 2019.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WILLARD, MISSOURI
December 31, 2018**

Economic Factors and Next Year's Budget (continued)

The City accounted for increases in salaries, health insurance, and retirement. All employee wages are a Step and Scale Grade system with increases set at 2.5% and with pay increases for outstanding work performance when a merit raise is appropriate. The health insurance decreased 2% with changes in personnel. Property, liability and worker's compensation insurance was projected at a 7% increase.

The City strives to maintain a cumulative reserve fund to provide counter-cyclical balance to protect the City from unforeseen contingencies and to allow resources to finance projected general government capital projects. The City's goal is to maintain a reserve fund balance of 25% (three months) of operating expenditures in the General, Parks, and Water and Sewer Funds commensurate with maintaining core services and personnel levels as specified by budgeted expenses.

The goal of the City is to have a comprehensive plan in place so the City will be prepared for future growth and be able to provide services at a reasonable cost.

Contacting the City's Financial Management

For additional information or questions, please contact any of the following officers at:

City of Willard
224 W. Jackson
Willard, MO 65781
(417) 742-3033

Corey Hendrickson, Mayor
Bradley Gray, City Administrator
Carolyn Halverson, Chief Financial Officer
Jennifer Rowe, City Clerk

CITY OF WILLARD, MISSOURI
STATEMENT OF NET POSITION
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 1,427,146	\$ 2,761,684	\$ 4,188,830
Taxes receivable	406,245	-	406,245
Utilities receivable, net	-	199,408	199,408
Intergovernmental receivable	2,043	-	2,043
Court fines receivable, net	12,365	-	12,365
Other receivable	62	-	62
Prepaid expenses	59,669	59,233	118,902
Noncurrent			
Restricted cash and cash equivalents	22,703	1,538,702	1,561,405
Net pension asset	63,919	6,832	70,751
Capital Assets:			
Non-depreciable	656,340	2,716,232	3,372,572
Depreciable, net	5,191,679	5,705,534	10,897,213
TOTAL ASSETS	7,842,171	12,987,625	20,829,796
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	92,094	79,354	171,448
LIABILITIES			
Current			
Accounts payable	18,157	310,238	328,395
Accrued expenses	52,194	38,302	90,496
Deposits payable	2,568	232,035	234,603
Court bonds payable	192	-	192
Accrued interest payable	9,096	44,665	53,761
Current portion of long-term debt	195,000	150,000	345,000
	277,207	775,240	1,052,447
Noncurrent			
Compensated absences payable	45,938	11,614	57,552
Certificates of participation payable, net	3,291,370	5,160,000	8,451,370
	3,337,308	5,171,614	8,508,922
TOTAL LIABILITIES	3,614,515	5,946,854	9,561,369
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	71,924	45,155	117,079
NET POSITION			
Net investment in capital assets	2,361,649	4,405,359	6,767,008
Restricted	19,942	13,074	33,016
Unrestricted	1,866,235	2,656,537	4,522,772
TOTAL NET POSITION	\$ 4,247,826	\$ 7,074,970	\$ 11,322,796

See accompanying notes.

CITY OF WILLARD, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2018

	General Fund	Special Revenue Fund	Park Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents - unrestricted	\$ 1,349,602	\$ 77,544		\$ 1,427,146
Taxes receivable	315,529	90,716		406,245
Intergovernmental receivable	2,043	-		2,043
Court fines receivable, net	12,365	-		12,365
Other receivable	-	62		62
Prepaid expenses	35,118	24,551		59,669
Restricted cash and cash equivalents	18,560	4,143		22,703
TOTAL ASSETS	<u>\$ 1,733,217</u>	<u>\$ 197,016</u>		<u>\$ 1,930,233</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 12,700	\$ 5,457		\$ 18,157
Accrued expenses	36,347	15,847		52,194
Court bonds payable	192	-		192
Deposits payable	-	2,568		2,568
TOTAL LIABILITIES	<u>49,239</u>	<u>23,872</u>		<u>73,111</u>
Deferred Inflows of Resources				
Deferred court fines	12,365	-		12,365
Fund Balances				
Nonspendable:				
Prepaid items	35,118	24,551		59,669
Restricted for:				
Debt service	-	10		10
Judicial facility fund	16,808	-		16,808
Judicial education fund	1,558	-		1,558
Police forfeiture funds	1	-		1
Youth scholarships	-	1,565		1,565
Assigned to:				
Road improvements	50,000	-		50,000
Parks and recreation	-	147,018		147,018
Unassigned	1,568,128	-		1,568,128
TOTAL FUND BALANCES	<u>1,671,613</u>	<u>173,144</u>		<u>1,844,757</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	<u>\$ 1,733,217</u>	<u>\$ 197,016</u>		<u>\$ 1,930,233</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
December 31, 2018

Fund balance - total governmental funds	\$ 1,844,757
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	8,439,505
Less accumulated depreciation	<u>(2,591,486)</u>
	5,848,019
The net pension asset and deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension asset	63,919
Deferred outflows due to pensions	92,094
Deferred inflows due to pensions	<u>(71,924)</u>
	84,089
Adjustment of deferred court fines	12,365
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(9,096)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(3,532,308)</u>
Net Position of Governmental Activities	<u><u>\$ 4,247,826</u></u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended December 31, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u>General Fund</u>	<u>Park Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,759,514	\$ 560,427	\$ 2,319,941
Licenses and permits	43,770	-	43,770
Intergovernmental revenues	109,709	5,942	115,651
Charges for services	95,200	391,119	486,319
Fines and forfeitures	69,578	-	69,578
Miscellaneous	25,514	6,821	32,335
TOTAL REVENUES	<u>2,103,285</u>	<u>964,309</u>	<u>3,067,594</u>
EXPENDITURES			
Current			
Administrative	130,086	-	130,086
Public safety	758,942	-	758,942
Court	98,051	-	98,051
Streets	318,139	-	318,139
Planning and development	72,950	-	72,950
Emergency management	16,828	-	16,828
Parks and recreation	-	820,051	820,051
Debt service			
Principal and interest	-	298,370	298,370
TOTAL EXPENDITURES	<u>1,394,996</u>	<u>1,118,421</u>	<u>2,513,417</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	708,289	(154,112)	554,177
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	(128,000)	128,000	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	580,289	(26,112)	554,177
FUND BALANCE, January 1	1,091,324	199,256	1,290,580
FUND BALANCE, December 31	<u>\$ 1,671,613</u>	<u>\$ 173,144</u>	<u>\$ 1,844,757</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended December 31, 2018

Net change in fund balances - total governmental funds \$ 554,177

Amounts reported for governmental activities in the Statement of Activities
 are different because:

Governmental funds report capital outlays as expenditures. However, in
 the Statement of Activities the cost of these assets is allocated over their
 estimated useful lives on a straight line basis and reported as depreciation
 expense. The following is the detail of the amount by which depreciation
 exceeded capital outlays for the year.

Capital outlay	113,241
Depreciation	(195,244)
Disposal of capital assets, net	(28,984)
	(110,987)

Some revenues reported in the governmental funds represent current financial
 resources and were recognized in the statement of activities when earned. (1,481)

Some expenditures reported in the governmental funds represent the use of
 current financial resources and were recognized in the Statement of Activities
 when incurred.

Change in pension related costs	5,391
Change in compensated absences	5,090
	10,481

The issuance of long-term debt provides current financial resources to
 governmental funds. The repayment of the principal of long-term debt
 is a use of current financial resources of governmental funds. In the
 Statement of Activities, interest is accrued on outstanding debt, whereas
 in the governmental funds, an interest expenditure is reported when due.
 The following is the detail of the net effect of these differences.

Repayment of principal on leases	187,526
Accrued interest payable	463
	187,989
Change in net position of governmental activities	\$ 640,179

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND
December 31, 2018

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,761,684
Utilities receivable	199,408
Prepaid expenses	59,233
	<hr/>
TOTAL CURRENT ASSETS	3,020,325
Restricted Assets	
Cash and cash equivalents	1,538,702
	<hr/>
TOTAL RESTRICTED ASSETS	1,538,702
Property, Plant and Equipment,	
Non-depreciable	2,716,232
Depreciable	10,841,576
Accumulated depreciation	(5,136,042)
	<hr/>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	8,421,766
Net Pension Asset	6,832
	<hr/>
TOTAL ASSETS	12,987,625
DEFERRED OUTFLOW OF RESOURCES	
Deferred pension outflows	79,354
LIABILITIES	
Current Liabilities	
Accounts payable	310,238
Accrued expenses	38,302
Accrued interest payable	44,665
Utility deposits	232,035
Current maturities of long-term debt	150,000
	<hr/>
TOTAL CURRENT LIABILITIES	775,240
Long-Term Liabilities	
Compensated absences payable	11,614
Certificates of participation payable	5,160,000
	<hr/>
TOTAL LONG-TERM LIABILITIES	5,171,614
	<hr/>
TOTAL LIABILITIES	5,946,854
DEFERRED INFLOW OF RESOURCES	
Deferred pension inflows	45,155
	<hr/>
NET POSITION	
Net investment in capital assets	4,405,359
Restricted	13,074
Unrestricted	2,656,537
	<hr/>
TOTAL NET POSITION	<u>\$ 7,074,970</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND
Year Ended December 31, 2018

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	
Water	\$ 983,319
Sewer	1,375,941
Trash	269,679
	<u>2,628,939</u>
TOTAL OPERATING REVENUES	2,628,939
OPERATING EXPENSES	
Water Services	
Wages and benefits	447,057
Professional services	27,159
Utilities	118,462
Insurance	38,439
Supplies	39,083
Travel, meetings & dues	2,961
Vehicle expense	10,457
Repairs and maintenance	60,087
Depreciation	147,603
Rent	5,206
Advertising	344
Miscellaneous	17,135
Sewer Services	
Wages and benefits	409,030
Professional services	37,135
Sewer charges	474,227
Utilities	61,334
Insurance	37,068
Supplies	84,392
Travel, meetings & dues	530
Vehicle expense	13,710
Repairs and maintenance	48,329
Depreciation	119,195
Rent	4,942
Advertising	194
Miscellaneous	12,697
Trash Services	
Trash	250,541
	<u>2,467,317</u>
TOTAL OPERATING EXPENSES	2,467,317
OPERATING INCOME	161,622
NONOPERATING REVENUES (EXPENSES)	
Interest income	69,044
Interest and fees expense	(151,043)
Cost of issuance fees	(115,294)
	<u>(197,293)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	(197,293)
NET (LOSS)	(35,671)
NET POSITION, January 1	7,110,641
NET POSITION, December 31	<u>\$ 7,074,970</u>

See accompanying notes.

CITY OF WILLARD, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended December 31, 2018

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,651,221
Cash paid to suppliers	(1,485,346)
Cash paid to employees	<u>(853,661)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	312,214
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Certificates of participation proceeds	3,600,000
Acquisition and construction of capital assets	(2,104,639)
Payment of principal on debt	(140,000)
Payment of debt issue costs	(115,294)
Payment of interest expense	<u>(131,430)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	1,108,637
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>69,044</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>69,044</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,489,895
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,810,491</u>
CASH AND CASH EQUIVALENTS, End of year	4,300,386
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>1,538,702</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 2,761,684</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 161,622
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	266,798
(Increase) decrease in:	
Utilities receivable	7,817
Prepaid expenses	(59,233)
Net pension asset	4,321
Deferred pension outflows	(22,553)
Increase (decrease) in:	
Accounts payable	(81,681)
Accrued expenses	10,092
Meter deposits payable	14,465
Compensated absences payable	1,022
Deferred pension inflows	<u>9,544</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 312,214</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 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 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 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 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 government-wide statements display information about the government as a whole. Interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Position, both the governmental and business-type activities are consolidated and presented on the full accrual, economic resources basis of accounting. The consolidated presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides information to improve analysis and comparability.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Separate fund financial statements report information on the City's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The City reports the following major governmental funds:

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.

The City reports the following major proprietary funds:

Water and Sewer Fund: The Water and Sewer Fund is used to account for the activities and capital improvements of the City's water and sewer operations.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$5,000 or greater and an estimated useful life of at least five years. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. In conformity with GASB 34, infrastructure, such as streets and storm sewers, has been capitalized. Additionally, the City elected not to go back 20 years and record estimated costs of streets less depreciation but began recording and depreciating its infrastructure assets in 2004. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Land improvements	20 years
Buildings and improvements	50 years
Major moveable equipment	5 to 15 years
Infrastructure	50 years
Water and sewer systems	20 to 50 years

Expenses for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. For purposes of the statement of cash flows, cash equivalents are deposits available on demand or with an original maturity of less than three months at the time of purchase.

Compensated Absences

Employees earn vacation time based on their years of service to the City. Outstanding vacation leave is payable upon termination of employment. Compensated absences are recorded as a liability in the Statement of Net Position.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing capital assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Governmental Accounting Standards Board (GASB) Statement Section 1400-120-137 – *Capitalization of Interest Cost*. There was no interest capitalized during the current fiscal year.

Revenue Recognition – 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Board of Alderman has formally adopted a minimum fund balance policy of 30% (3½ months) of operating expenditures in the General Fund.

Net Position

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

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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.

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 are available, the City first applies restricted net position.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. These include 1) charges for city court fines, 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 revenues are reported as general. All taxes are classified as general revenues, even if restricted for a specific purpose.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the City has one item that qualifies for reporting in this category, deferred amounts relating to employer contributions to the retirement plan.

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City has two items that qualify for reporting in this category, deferred amounts relating to court fines on the Balance Sheet and deferred amounts relating to employer contributions to the retirement plan on the Statement of Net Position. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Pensions

For purposes of measuring the net pension asset, deferred outflow of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. All other revenues and expenses are considered nonoperating.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City’s deposits be insured or 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, 2018, all bank balances on deposit are entirely insured or collateralized.

NOTE C – RESTRICTED ASSETS

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

	Restricted Cash and Cash Equivalents	Restricted Fund Balance/ Net Position
GENERAL FUND		
Court bonds	\$ 193	\$ -
Judicial facility fund	16,808	16,808
Judicial education fund	1,558	1,558
Police forfeiture funds	1	1
	<u>\$ 18,560</u>	<u>\$ 18,367</u>
PARK FUND		
2015 Refunding Certificates of Participation		
Project fund	\$ 10	\$ 10
Youth scholarships	1,565	1,565
Park deposits	2,568	-
	<u>\$ 4,143</u>	<u>\$ 1,575</u>
WATER AND SEWER FUND		
2018 Certificates of Participation		
Certificate fund	\$ 13,074	\$ 13,074
Construction fund	1,293,593	-
Customer utility deposits	232,035	-
	<u>\$ 1,538,702</u>	<u>\$ 13,074</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE D – 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.

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

	<u>2018</u>
Assessed Valuation	
Real estate	\$ 50,966,595
Personal property	<u>10,516,313</u>
TOTAL	<u>\$ 61,482,908</u>
Tax Rates Per \$100 of Assessed Valuation	
General Fund	\$.3915
Park Fund	<u>.1198</u>
TOTAL	<u>\$.5113</u>

The legal debt margin at December 31, 2018, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 6,148,291	\$ 6,148,291	\$ 12,296,582
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 6,148,291</u>	<u>\$ 6,148,291</u>	<u>\$ 12,296,582</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, 2018

NOTE E – ACCOUNTS RECEIVABLE

Accounts receivable are presented net of an allowance for doubtful accounts as follows:

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
COURT FINES RECEIVABLE			
General Fund	\$ 23,365	\$ (11,000)	\$ 12,365
UTILITIES RECEIVABLE			
Water and Sewer Fund	\$ 199,408	\$ -	\$ 199,408

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities for governmental activities at December 31, 2018, consists of the 2015 Refunding Certificates of Participation and compensated absences.

Certificates of Participation

On June 1, 2015, the City issued \$3,995,000 in Series 2015 Refunding Certificates of Participation for the purpose of refunding the 2006 and 2008 Certificates of Participation, which were originally issued for 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 2.0% to 3.5% 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, 2018, are as follows:

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

Year Ending December 31,	Principal	Interest	Total
2019	\$ 195,000	\$ 106,231	\$ 301,231
2020	195,000	100,381	295,381
2021	200,000	94,456	294,456
2022	205,000	88,381	293,381
2023	230,000	81,856	311,856
2024	235,000	74,881	309,881
2025	245,000	67,681	312,681
2026	250,000	60,256	310,256
2027	260,000	52,476	312,476
2028	265,000	44,140	309,140
2029	280,000	35,214	315,214
2030	285,000	25,784	310,784
2031	300,000	15,913	315,913
2032	310,000	5,425	315,425
	<u>\$ 3,455,000</u>	<u>\$ 853,075</u>	<u>\$ 4,308,075</u>

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

	Balance December 31, 2017	Additions	Retirements	Balance December 31, 2018	Amounts Due Within One Year
Certificates of Participation					
2015 Refunding Certificates of Participation	\$ 3,640,000	\$ -	\$ 185,000	\$ 3,455,000	\$ 195,000
	3,640,000	-	185,000	3,455,000	195,000
Premium on Certificates of Participation	33,896	-	2,526	31,370	-
	3,673,896	-	187,526	3,486,370	195,000
Compensated absences	51,028	-	5,090	45,938	-
	<u>\$ 3,724,924</u>	<u>\$ -</u>	<u>\$ 192,616</u>	<u>\$ 3,532,308</u>	<u>\$ 195,000</u>

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

Long-term liabilities for business-type activities at December 31, 2018, consists of the 2018 Certificates of Participation, the 2014 Refunding Certificates of Participation and compensated absences.

On April 12, 2018, the City issued \$3,600,000 in Series 2018 Certificates of Participation for the purpose of providing funds to acquire and install improvements to the City’s combined waterworks and sewerage system including equipment for the City. The certificates bear interest between 3.0% to 5.0%. Interest payments are due semi-annually on May 1 and November 1 of each year with annual principal payments due May 1 of each year. Annual debt service requirements to amortize the principal on the Certificates of Participation outstanding at December 31, 2018, are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	\$ -	\$ 129,050	\$ 129,050
2020	95,000	126,675	221,675
2021	100,000	121,800	221,800
2022	105,000	116,675	221,675
2023	110,000	111,300	221,300
2024	115,000	106,825	221,825
2025	120,000	103,300	223,300
2026	125,000	99,625	224,625
2027	125,000	95,875	220,875
2028	130,000	92,050	222,050
2029	135,000	88,075	223,075
2030	140,000	83,862	223,862
2031	145,000	79,319	224,319
2032	145,000	74,606	219,606
2033	150,000	69,719	219,719
2034	155,000	64,572	219,572
2035	165,000	59,069	224,069
2036	170,000	53,206	223,206
2037	175,000	47,169	222,169
2038	180,000	40,844	220,844
2039	190,000	34,138	224,138
2040	195,000	27,159	222,159
2041	200,000	19,875	219,875
2042	210,000	12,187	222,187
2043	220,000	4,125	224,125
	<u>\$ 3,600,000</u>	<u>\$ 1,861,100</u>	<u>\$ 5,461,100</u>

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

On November 4, 2014, the City issued \$2,295,000 in Series 2014 Refunding Certificates of Participation for the purpose of providing funds to refinance the Series 2005 Certificates of Participation and 2008 Certificates of Participation. The certificates bear interest of 3.25%. Interest payments are due semi-annually on February 1 and August 1 of each year with annual principal payments due February 1 of each year. Annual debt service requirements to amortize the principal on the Certificates of Participation outstanding at December 31, 2018, are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	\$ 150,000	\$ 53,138	\$ 203,138
2020	155,000	48,181	203,181
2021	155,000	43,144	198,144
2022	165,000	37,944	202,944
2023	165,000	32,581	197,581
2024	175,000	27,056	202,056
2025	180,000	21,287	201,287
2026	185,000	15,356	200,356
2027	190,000	9,263	199,263
2028	190,000	3,088	193,088
	<u>\$ 1,710,000</u>	<u>\$ 291,038</u>	<u>\$ 2,001,038</u>

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

	Balance December 31, 2017	Additions	Retirements	Balance December 31, 2018	Amounts Due Within One Year
2014 Refunding Certificates of Participation	\$ 1,850,000	\$ -	\$ 140,000	\$ 1,710,000	\$ 150,000
2018 Certificates of Participation	-	3,600,000	-	3,600,000	-
Compensated absences	10,592	1,022	-	11,614	-
	<u>\$ 1,860,592</u>	<u>\$3,601,022</u>	<u>\$ 140,000</u>	<u>\$ 5,321,614</u>	<u>\$ 150,000</u>

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
GOVERNMENTAL ACTIVITIES				
Non-depreciable Capital Assets				
Land	\$ 452,032	\$ -	\$ 25,358	\$ 426,674
Construction in progress	177,976	51,690	-	229,666
Total Non-depreciable Capital Assets	<u>630,008</u>	<u>\$ 51,690</u>	<u>\$ 25,358</u>	656,340
Depreciable Capital Assets				
Building and improvements	5,021,134	\$ 29,624	\$ -	5,050,758
Major moveable equipment	1,502,970	31,927	323,709	1,211,188
Infrastructure	1,521,219	-	-	1,521,219
Total Depreciable Capital Assets	<u>8,045,323</u>	<u>\$ 61,551</u>	<u>\$ 323,709</u>	7,783,165
Less Accumulated Depreciation				
Building and improvements	1,191,548	\$ 103,833	\$ -	1,295,381
Major moveable equipment	1,104,116	52,781	320,083	836,814
Infrastructure	420,661	38,630	-	459,291
Total Accumulated Depreciation	<u>2,716,325</u>	<u>\$ 195,244</u>	<u>\$ 320,083</u>	2,591,486
Total Depreciable Capital Assets, net	<u>5,328,998</u>			<u>5,191,679</u>
Total Governmental Activities Capital Assets, net	<u>\$ 5,959,006</u>			<u>\$ 5,848,019</u>

Depreciation expense for governmental activities was charged to functions as follows:

Administrative	\$ 11,309
Planning and development	864
Public safety	36,582
Parks and recreation	112,530
Street	33,959
	<u>\$ 195,244</u>

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE H – CAPITAL ASSETS (continued)

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
BUSINESS-TYPE ACTIVITIES				
Water and Sewer Fund				
Non-depreciable Capital Assets				
Land	\$ 205,895	\$ 67,378	\$ -	\$ 273,273
Construction in progress	189,295	2,253,664	-	2,442,959
Total Non-depreciable Capital Assets	395,190	<u>\$ 2,321,042</u>	<u>\$ -</u>	2,716,232
Depreciable Capital Assets				
Sewer system	5,546,795	\$ -	\$ -	5,546,795
Water system	4,528,225	-	-	4,528,225
Buildings and improvements	17,140	-	-	17,140
Major moveable equipment	762,629	24,504	37,717	749,416
Total Depreciable Capital Assets	10,854,789	<u>\$ 24,504</u>	<u>\$ 37,717</u>	10,841,576
Less Accumulated Depreciation				
Sewer system	2,555,672	\$ 110,012	\$ -	2,665,684
Water system	1,709,885	138,420	-	1,848,305
Buildings and improvements	457	343	-	800
Major moveable equipment	640,947	18,023	37,717	621,253
Total Accumulated Depreciation	4,906,961	<u>\$ 266,798</u>	<u>\$ 37,717</u>	5,136,042
Total Depreciable Capital Assets, net	5,947,828			5,705,534
Total Business-Type Activities Capital Assets, net	<u>\$ 6,343,018</u>			<u>\$ 8,421,766</u>

Depreciation expense for business-type activities was charged as follows:

Water	\$ 147,603
Sewer	119,195
	<u>\$ 266,798</u>

NOTE I – EMPLOYEE PENSION PLAN

General Information about the Pension Plan

Plan Description. The City’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS 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 is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police) and receive a reduced allowance.

	<u>2018 Valuation</u>
Benefit Multiplier	1.50% for life
Final Average Salary	5 Years
Member Contributions	4%

Benefit terms provide for annual post retirement adjustments to each member’s retirement allowance subsequent to the member’s retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

Employees Covered by Benefit Terms. At June 30, 2018, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>
Inactive employees or beneficiaries currently receiving benefits	9	-
Inactive employees entitled to but not yet receiving benefits	11	17
Active employees	<u>29</u>	<u>10</u>
	<u>49</u>	<u>27</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 4% of their gross pay to the pension plan. Employer contribution rates are 6.7% (General) and 6.4% (Police) of annual covered payroll.

Net Pension Asset. The employer’s net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2018.

Actuarial Assumptions. The total pension liability in the February 28, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2018, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	43.00%	5.16%
Fixed Income	26.00%	2.86%
Real Assets	21.00%	3.23%
Strategic Assets	10.00%	5.59%

Discount Rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

Changes in the Net Pension (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<i>General Division</i>			
Balances at beginning of year	\$ 1,060,436	\$ 1,079,024	\$ (18,588)
Changes for the year:			
Service cost	86,047	-	86,047
Interest on total pension liability	78,990	-	78,990
Difference between expected and actual experiences	89,639	-	89,639
Contributions - employer	-	70,927	(70,927)
Contributions - employee	-	42,990	(42,990)
Net investment income	-	134,719	(134,719)
Benefits paid, including refunds	(26,837)	(26,837)	-
Pension plan administrative expenses	-	(3,416)	3,416
Other (net transfer)	-	2,448	(2,448)
Net Changes	227,839	220,831	7,008
Balances at end of year	1,288,275	1,299,855	(11,580)
<i>Police Division</i>			
Balances at beginning of year	536,930	584,235	(47,305)
Changes for the year:			
Service cost	35,888	-	35,888
Interest on total pension liability	40,206	-	40,206
Difference between expected and actual experiences	20,996	-	20,996
Contributions - employer	-	23,224	(23,224)
Contributions - employee	-	15,614	(15,614)
Net investment income	-	73,546	(73,546)
Pension plan administrative expenses	-	(1,110)	1,110
Other (net transfer)	-	(2,318)	2,318
Net Changes	97,090	108,956	(11,866)
Balances at end of year	634,020	693,191	(59,171)
Total Plan Balances at End of Year	\$ 1,922,295	\$ 1,993,046	\$ (70,751)

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

The Net Pension (Asset) is allocated as follows:

	Net Pension (Asset)
Governmental Activities	\$ (63,919)
Business-Type Activities	(6,832)
	<u>\$ (70,751)</u>

Sensitivity of the Net Pension (Asset) to Changes in the Discount Rate. The following present the Net Pension Liability (Asset) of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability (Asset) would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 1,498,440	\$ 1,288,275	\$ 1,119,208
Fiduciary Net Position	1,299,855	1,299,855	1,299,855
Net Pension Liability (Asset)	198,585	(11,580)	(180,647)
<i>Police Division</i>			
Total Pension Liability	763,616	634,020	531,874
Fiduciary Net Position	693,191	693,191	693,191
Net Pension Liability (Asset)	70,425	(59,171)	(161,317)
Total Net Pension Liability (Asset)	<u>\$ 269,010</u>	<u>\$ (70,751)</u>	<u>\$ (341,964)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the employer recognized pension expense of \$56,896 in the general division and \$23,486 in the police division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
<i>General Division</i>			
Difference between expected and actual experience	\$ 76,553	\$ (35,524)	\$ 41,029
Assumption changes	23,310	(8,352)	14,958
Net difference between projected and actual earnings on pension plan investments	-	(32,658)	(32,658)
Contributions subsequent to the measurement date*	34,635	-	34,635
	<u>134,498</u>	<u>(76,534)</u>	<u>57,964</u>
<i>Police Division</i>			
Difference between expected and actual experience	21,087	(21,921)	(834)
Assumption changes	4,318	-	4,318
Net difference between projected and actual earnings on pension plan investments	-	(18,624)	(18,624)
Contributions subsequent to the measurement date*	11,545	-	11,545
	<u>36,950</u>	<u>(40,545)</u>	<u>(3,595)</u>
	<u>\$ 171,448</u>	<u>\$ (117,079)</u>	<u>\$ 54,369</u>

Deferred outflows and inflows have been allocated as follows:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows of Resources
Governmental Activities	\$ 92,094	\$ (71,924)	\$ 20,170
Business-Type Activities	79,354	(45,155)	34,199
	<u>\$ 171,448</u>	<u>\$ (117,079)</u>	<u>\$ 54,369</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition to the Net Pension Asset for the year ending December 31, 2019.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	General Net Deferred Outflow (Inflow) of Resources	Police Net Deferred Outflow (Inflow) of Resources	Total Net Deferred Outflow (Inflow) of Resources
2019	\$ 15,176	\$ 2,237	\$ 17,413
2020	6,270	(3,759)	2,511
2021	(7,481)	(7,634)	(15,115)
2022	6,715	(5,984)	731
2023	2,649	-	2,649
	\$ 23,329	\$ (15,140)	\$ 8,189

Payable to the Pension Plan

The City had \$7,340 outstanding contributions to the pension plan required for the year ended December 31, 2018.

NOTE J – 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.

CITY OF WILLARD, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE K – CLAIMS AND JUDGMENTS

The City participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of December 31, 2018, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, 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 L – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2018, were as follows:

	Transfers In (Out)
General Fund	\$ (128,000)
Park Fund	128,000
	<u>\$ -</u>

Transfers are made to (1) move revenues 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 revenues in the Enterprise Fund, General Fund, and Park Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

NOTE M – DEFERRED COURT FINES

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred revenues include court fines to be collected over several years. All of the deferred revenue at December 31, 2018, is accounted for as follows:

General Fund	
Deferred court fines	<u>\$ 12,365</u>

CITY OF WILLARD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE N – COMMITMENTS

At December 31, 2018, the City had the following commitments:

- Great River Engineering in the amount of \$119,930 for engineering services related to Miller Road improvements.
- McClanahan Construction in the amount of \$251,983 for construction services related to the Sewer Lift Station Project.
- Hamilton & Dad in the amount of \$44,803 for construction services relating to the Sewer Project.

NOTE O – SUBSEQUENT EVENT

On January 14, 2019, the City entered into an agreement with Flat Creek Excavating, LLC in the amount of \$569,929 for construction services relating to Lift Station B Flow Equalization Basin improvements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WILLARD, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
Year Ended December 31, 2018

Missouri Local Government Employees Retirement System (LAGERS)

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
TOTAL PENSION LIABILITY				
Service cost	\$ 121,935	\$ 100,422	\$ 91,794	\$ 88,438
Interest on the total pension liability	119,196	105,927	90,286	78,718
Changes of benefit terms	-	-	164,794	-
Difference between expected and actual experience	110,635	9,648	(130,045)	22,739
Changes of assumptions	-	(13,922)	59,410	-
Benefit payments including refunds	(26,837)	(56,488)	(48,528)	(16,022)
NET CHANGE IN TOTAL PENSION LIABILITY	324,929	145,587	227,711	173,873
TOTAL PENSION LIABILITY, BEGINNING	1,597,366	1,451,779	1,224,068	1,050,195
TOTAL PENSION LIABILITY, ENDING	1,922,295	1,597,366	1,451,779	1,224,068
PLAN FIDUCIARY NET POSITION				
Contributions - employer	94,151	71,648	51,463	45,258
Contributions - employee	58,604	44,782	42,204	43,340
Net investment income	208,265	173,699	(2,072)	27,304
Benefit payments, including refunds	(26,837)	(56,488)	(48,528)	(16,022)
Pension plan administrative expense	(4,526)	(5,058)	(3,788)	(4,380)
Other (net transfer)	130	(6,406)	1,272	14,005
NET CHANGE IN PLAN FIDUCIARY NET POSITION	329,787	222,177	40,551	109,505
PLAN FIDUCIARY NET POSITION, BEGINNING	1,663,259	1,441,082	1,400,531	1,291,026
PLAN FIDUCIARY NET POSITION, ENDING	1,993,046	1,663,259	1,441,082	1,400,531
EMPLOYER NET PENSION LIABILITY (ASSET)	\$ (70,751)	\$ (65,893)	\$ 10,697	\$ (176,463)
Plan fiduciary net position as a percentage of the total pension liability	103.68%	104.13%	99.26%	114.42%
Covered employee payroll	\$ 1,470,200	\$ 1,073,678	\$ 953,319	\$ 1,194,538
Employer's net pension liability (asset) as a percentage of covered employee payroll	-4.81%	-6.14%	1.12%	-14.77%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF WILLARD, MISSOURI
 SCHEDULE OF CONTRIBUTIONS
 Year Ended December 31, 2018

Missouri Local Government Employees Retirement System (LAGERS)
Schedule of Contributions
Last 10 Fiscal Years

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Covered Employee Payroll</u>	<u>Contribution as a Percentage of Covered Employee Payroll</u>
2009	\$ 50,619	\$ 50,619	\$ -	\$ 979,164	5.17%
2010	52,397	52,397	-	940,944	5.57%
2011	52,225	52,225	-	992,755	5.26%
2012	49,484	49,484	-	993,997	4.98%
2013	43,545	43,546	1	925,245	4.71%
2014	45,844	45,844	-	1,035,266	4.43%
2015	44,045	44,045	-	1,114,322	3.95%
2016	63,917	63,917	-	1,027,993	6.22%
2017	83,840	83,840	-	1,345,017	6.23%
2018	94,461	94,461	-	1,426,885	6.62%

See accompanying notes to the required schedules.

CITY OF WILLARD, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2018

Valuation Date: February 28, 2018

Notes: The roll-forward of total pension liability from February 28, 2018, to June 30, 2018, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal and Modified Terminal Funding

Amortization Method – A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of, (i) the remaining initial amortization period, or (ii) 15 years.

Remaining Amortization Period – Multiple bases from 15 to 17 years

Asset Valuation Method – 5-Year smoothed market; 20% corridor

Inflation – 3.25% wage inflation; 2.50% price inflation

Salary Increases – 3.25% to 6.55% including wage inflation

Investment Rate of Return – 7.25%, net of investment expenses

Retirement Age – Experience-based table of rates that are specific to the type of eligibility condition

Mortality – The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other Information – None

CITY OF WILLARD, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
REVENUES				
Taxes				
Ad valorem taxes	\$ 182,000	\$ 196,500	\$ 195,693	\$ (807)
Sales taxes	901,000	937,000	995,121	58,121
Franchise taxes	333,000	357,000	355,084	(1,916)
Motor vehicle taxes	210,000	210,000	213,616	3,616
	<u>1,626,000</u>	<u>1,700,500</u>	<u>1,759,514</u>	<u>59,014</u>
Licenses and Permits				
Building permits	30,000	30,000	38,438	8,438
Merchants licenses	6,000	6,000	5,332	(668)
	<u>36,000</u>	<u>36,000</u>	<u>43,770</u>	<u>7,770</u>
Intergovernmental Revenues				
Grants	765,500	146,500	109,709	(36,791)
Charges for Services				
Planning and zoning	8,000	3,000	8,828	5,828
Rentals	82,000	82,000	86,372	4,372
	<u>90,000</u>	<u>85,000</u>	<u>95,200</u>	<u>10,200</u>
Fines and Forfeitures				
City court fines	91,000	72,100	69,578	(2,522)
Miscellaneous				
Donations	3,000	6,000	120	(5,880)
Interest	200	200	8,046	7,846
Other	12,250	10,250	17,348	7,098
	<u>15,450</u>	<u>16,450</u>	<u>25,514</u>	<u>9,064</u>
TOTAL REVENUES	2,623,950	2,056,550	2,103,285	46,735

CITY OF WILLARD, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
EXPENDITURES				
Current				
Administrative	229,319	178,973	130,086	48,887
Public safety	810,768	849,197	758,942	90,255
Court	181,414	116,994	98,051	18,943
Streets	1,257,535	479,479	318,139	161,340
Planning and development	100,189	83,797	72,950	10,847
Emergency management	19,050	18,850	16,828	2,022
TOTAL EXPENDITURES	<u>2,598,275</u>	<u>1,727,290</u>	<u>1,394,996</u>	<u>332,294</u>
EXCESS OF REVENUES OVER EXPENDITURES	25,675	329,260	708,289	379,029
OTHER FINANCING (USES)				
Operating transfers (out)	<u>(182,500)</u>	<u>(233,500)</u>	<u>(128,000)</u>	<u>105,500</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(156,825)	95,760	580,289	484,529
FUND BALANCE, January 1	<u>1,091,324</u>	<u>1,091,324</u>	<u>1,091,324</u>	<u>-</u>
FUND BALANCE, December 31	<u><u>\$ 934,499</u></u>	<u><u>\$ 1,187,084</u></u>	<u><u>\$ 1,671,613</u></u>	<u><u>\$ 484,529</u></u>

CITY OF WILLARD, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
REVENUES				
Taxes				
Ad valorem taxes	\$ 60,500	\$ 60,500	\$ 58,532	\$ (1,968)
Sales taxes	457,000	457,000	501,895	44,895
	<u>517,500</u>	<u>517,500</u>	<u>560,427</u>	<u>42,927</u>
Intergovernmental Revenues				
Grants	-	5,900	5,942	42
Charges for Services				
Rental income	13,500	13,500	13,342	(158)
Adult and youth programs	221,800	176,000	182,476	6,476
Facility	39,000	30,000	33,169	3,169
Swimming pool	70,000	75,000	75,243	243
Special events	17,000	13,500	14,151	651
Advertising	28,000	30,500	29,872	(628)
Concessions	45,000	45,000	36,366	(8,634)
Park	4,000	4,000	6,500	2,500
	<u>438,300</u>	<u>387,500</u>	<u>391,119</u>	<u>3,619</u>
Miscellaneous				
Interest	600	1,500	2,530	1,030
Other	500	5,000	4,291	(709)
	<u>1,100</u>	<u>6,500</u>	<u>6,821</u>	<u>321</u>
TOTAL REVENUES	956,900	917,400	964,309	46,909
EXPENDITURES				
Current				
Parks and recreation	840,797	852,216	820,051	32,165
Debt service				
Principal and interest	298,500	298,500	298,370	130
TOTAL EXPENDITURES	<u>1,139,297</u>	<u>1,150,716</u>	<u>1,118,421</u>	<u>32,295</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(182,397)	(233,316)	(154,112)	79,204
OTHER FINANCING SOURCES				
Operating transfers in	182,500	233,500	128,000	(105,500)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	103	184	(26,112)	(26,296)
FUND BALANCE, January 1	<u>199,256</u>	<u>199,256</u>	<u>199,256</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 199,359</u>	<u>\$ 199,440</u>	<u>\$ 173,144</u>	<u>\$ (26,296)</u>

CITY OF WILLARD, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2018

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. Budgets for the General and Park Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by the Board of Alderman on approved budget adjustment forms.

OTHER REPORTING REQUIREMENTS



**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, 2018, 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 8, 2019.

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.

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. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

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*.

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.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
May 8, 2019