

**CITY OF BUTLER, MISSOURI**

**AUDITED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
MARCH 31, 2009**

**TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**DSWA CERTIFIED PUBLIC ACCOUNTANTS  
210 WEST OHIO  
BUTLER, MISSOURI 64730**

**CITY OF BUTLER, MISSOURI  
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FOR THE YEAR ENDED MARCH 31, 2009**

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John G. Daniel, CPA

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**INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and City Council  
City of Butler, Missouri

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Butler, Missouri as of and for the year ended March 31, 2009, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 Audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Butler, Missouri at March 31, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the supplementary information relating to budgetary comparison information, which appear as listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2009 on our consideration of the City of Butler's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. Management's written response to the significant deficiency identified in our audit have not been subjected to the auditing procedures applied in the audit and, accordingly, we express no opinion on them.

Our audit was made for the purpose of forming an opinion on the basic financial statements that collectively comprise the basic financial statements of the City. The combining, individual non-major fund statements, and supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*DSWA Certified Public Accountants, PC.*

Butler, Missouri  
July 31, 2009

**MANAGEMENT DISCUSSION AND ANALYSIS  
(UNAUDITED)  
CITY OF BUTLER, MO  
MARCH 31, 2009**

The management's discussion and analysis of the City of Butler, Missouri's financial performance provides an overview of the City's financial activities for the fiscal year ended March 31, 2009. Please read the report in conjunction with the accompanying financial statements, which follow this section.

### **Financial Highlights**

- The net assets of the City's governmental activities increased by \$42,721 or 1% for the year as a result of current year activities. The net assets of the City's business-type activities increased by \$219,431 for the year.
- Total assets of the City exceeded its liabilities as of March 31, 2009, by \$14.7 million (net assets). Of this amount, \$7.5 million was unrestricted and may be used to meet future obligations of the City.
- Total liabilities of the City decreased by \$411,480.

### **Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets 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 statement 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 of Butler as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way to help answer this question. These statements report assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All changes in net assets (current year's revenues and expenses) are taken into account regardless of when cash is received or paid. The two statements report the City's net assets – the difference between assets and liabilities – and changes in them, giving one way to measure the City's financial health or position. Over time, increases or decreases in net assets will help to determine whether the City's financial health is improving or deteriorating.

**MANAGEMENT DISCUSSION AND ANALYSIS  
(UNAUDITED)  
CITY OF BUTLER, MO  
MARCH 31, 2009**

In the Statement of Net Assets and the Statement of Activities the City is divided into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- Business-type activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's utility services are provided here.

### **Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Butler uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. However, the City Council establishes many other funds to help it control and manage money for a particular purpose. The fund financial statements provide more information about the City's most significant funds – not the City as a whole.

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual accounting method, 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. This information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus on the government-wide statements, additional information is provided following the government funds statement that explains the relationship (or differences) between them.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds provide both long-term and short-term financial information and are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.
- Notes to the basic Financial Statements – The Notes to the Basic Financial Statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

**MANAGEMENT DISCUSSION AND ANALYSIS  
(UNAUDITED)  
CITY OF BUTLER, MO  
MARCH 31, 2009**

**Government-Wide Financial Analysis**

Table 1  
City of Butler, Missouri  
Net Assets  
As of March 31, 2008 & 2009

	Governmental Activities	Business-Type Activities	Total March 31, 2009	Total March 31, 2008
Current and Other Assets	\$2,445,561	\$6,434,306	\$8,879,867	\$8,173,440
Capital Assets, net	6,356,673	14,238,937	20,595,610	21,814,782
<b>Total Assets</b>	<b>8,802,234</b>	<b>20,673,243</b>	<b>29,475,477</b>	<b>29,988,222</b>
Long-Term Liabilities	3,071,880	10,159,573	13,231,453	14,052,754
Other Liabilities	513,330	1,048,356	1,561,686	1,151,865
<b>Total Liabilities</b>	<b>3,585,210</b>	<b>11,207,929</b>	<b>14,793,139</b>	<b>15,204,619</b>
<b>Net Assets:</b>				
Invested in Capital Assets Net of Debt	3,091,007	3,746,792	6,837,799	10,316,572
Restricted	321,209	0	321,209	1,203,259
Unrestricted	1,804,808	5,718,522	7,523,330	3,263,772
<b>Total Net Assets</b>	<b>\$5,217,024</b>	<b>\$9,465,314</b>	<b>\$14,682,338</b>	<b>\$14,783,603</b>

Total net assets of the City for the fiscal year ending March 31, 2009 were \$14,682,338, decreasing by \$101,265 from the previous year due to current year activity. Total liabilities for the City were \$14,793,139, decreasing by \$411,480 from the previous year. During the year, the City retired \$763,516 of its long-term liabilities. Restricted net assets of the City totaled \$321,209 as of March 31, 2009, representing the monies that are restricted for various projects within the city.

**MANAGEMENT DISCUSSION AND ANALYSIS  
(UNAUDITED)  
CITY OF BUTLER, MO  
MARCH 31, 2009**

Table 2  
City of Butler, Missouri  
Changes in Net Assets  
As of March 31, 2008 & 2009

	Governmental Activities	Business-Type Activities	Total Year Ended March 31, 2009	Total Year Ended March 31, 2008
<b>Revenues</b>				
Program Revenues				
Charges for services	\$385,312	\$7,672,043	\$8,057,355	\$8,232,893
Operating grants and contributions	554,498	7,821	562,319	15,788
Capital grants and contributions	-	-	-	52,797
General Revenues				
Sales taxes	1,341,026	-	1,341,026	1,345,785
Ad valorem taxes	243,319	-	243,319	281,197
Other taxes	1,038,628	-	1,038,628	961,879
Franchise taxes	224,812	-	224,812	137,787
Interest	23,419	112,977	136,396	282,299
Other revenue	32,637	29,568	62,205	46,978
<b>Total Revenues</b>	<b>3,843,651</b>	<b>7,822,409</b>	<b>11,666,060</b>	<b>11,357,403</b>
<b>Special Item</b>				
Loss on sale of capital asset	(7,585)	-	(7,585)	-
<b>Total Revenues and Special Items</b>	<b>3,836,066</b>	<b>7,822,409</b>	<b>11,658,475</b>	<b>11,357,403</b>

**MANAGEMENT DISCUSSION AND ANALYSIS  
(UNAUDITED)  
CITY OF BUTLER, MO  
MARCH 31, 2009**

Table 2  
City of Butler, Missouri  
Changes in Net Assets (continued)  
As of March 31, 2008 & 2009

	Governmental Activities	Business-Type Activities	Total Year Ended March 31, 2009	Total Year Ended March 31, 2008
<b>Expenses</b>				
General government	568,152	-	568,152	505,904
Airport	655,467	-	655,467	58,146
Cemetery	101,441	-	101,441	103,869
Public safety	998,156	-	998,156	1,025,927
Community development	6,876	-	6,876	15,129
Fire	253,181	-	253,181	217,291
Industrial park	1,044	-	1,044	1,491
Parks	390,045	-	390,045	469,628
Streets	477,411	-	477,411	496,478
Debt service	176,010	-	176,010	165,094
Utilities	-	7,768,540	7,768,540	7,937,246
Total Expenses	3,627,783	7,768,540	11,396,323	10,996,203
<b>Excess Before Transfers</b>	208,283	53,869	262,152	361,200
<b>Transfers</b>	(165,562)	165,562	-	-
<b>Increase in Net Assets</b>	\$42,721	\$219,431	\$262,152	\$361,200

**MANAGEMENT DISCUSSION AND ANALYSIS  
(UNAUDITED)  
CITY OF BUTLER, MO  
MARCH 31, 2009**

**Governmental Analysis**

Governmental activities increased the net assets of the City by \$42,721. Tax revenues for the City were \$2.8 million, which represents 74% of the funding of these activities. Program revenues for the functions totaled just \$939,810 or 24% of the funding. The following table shows the cost of the City's nine largest programs as well as each programs 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 COSTS OF THE CITY OF BUTLER'S NINE LARGEST  
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services	Net Cost of Services	Percent of Net Cost to Total Cost
Administration	\$529,865	\$464,364	88%
Recreation and aquatics	81,323	1,673	2%
Court	126,932	110,003	87%
Fire	253,181	244,111	96%
Parks	308,722	303,722	98%
Police	862,222	717,639	83%
Cemetery	101,441	54,207	53%
Streets	477,411	472,817	99%
Airport	655,467	99,977	15%
Other governmental activities	231,219	219,460	95%
	<u>\$3,627,783</u>	<u>\$2,687,973</u>	

**Business-Type Activities**

Business-type activities increased the City's net assets by \$219,431.

**Financial Analysis of the City's Funds**

The combined fund balance of the City's governmental funds as of March 31, 2009, was \$2,126,017. The General Fund increased by \$112,098. The Airport Fund decreased by \$344. The Transportation Tax Fund increased by \$113,219. The Park Fund increased by \$44,705. The Fire Protection Tax Fund increased by \$8,675. The Capital Projects Fund decreased by \$158,589.

# MANAGEMENT DISCUSSION AND ANALYSIS

(UNAUDITED)

CITY OF BUTLER, MO

MARCH 31, 2009

## General Fund Budgetary Highlights

### *Revenues*

The original General Fund budget had total revenues of \$3,595,680 and actual revenues of \$3,106,862. This reduction in estimated revenues is attributed to two capital improvement projects that were not completed. The Butler Historic Square Project was budgeted at \$330,700 but had actual revenue of \$4,594. The Airport Improvement Project was budgeted at \$667,000 but had actual revenue of \$534,777. Other areas where estimated revenues were less include Police Fines, Gasoline Tax and Payments In-Lieu of Taxes. Police Fines were budgeted at \$153,000 with actual revenue of \$130,871. Gasoline Tax were budgeted at \$176,000 with actual revenue of \$159,521. Payments In-Lieu of Taxes were budgeted at \$715,000 with actual revenue of \$681,212.

### *Expenditures*

The original General Fund budget had total expenditures of \$3,626,241 and actual expenditures of \$2,994,764. This reduction in estimated expenditures is attributable to the two capital improvement projects that were not completed. The Butler Historic Square Project was budgeted at \$330,700 but had actual expenditures of \$1,344. The Airport Improvement Project was budgeted at \$667,000 but had actual expenditures of \$566,213.

## Capital Assets

Capital assets for Governmental Activities, net of depreciation, at March 31, 2009 totaled \$6.4 million. This represents a decrease from the prior year due primarily to the sale of a police car and current year depreciation.

Capital assets for Business-type Activities, net of depreciation, at March 31, 2009 totaled \$14.2 million. This represents a decrease of approximately \$600,000 from the prior year due to a net of construction in progress and current year depreciation.

## Debt

Total debt of the Governmental Activities as of March 31, 2009, was \$3.3 million, which is a decrease from the prior year of approximately \$200,000 due to current year principal payments on the capital leases.

Total debt of the Business-type Activities as of March 31, 2009, was \$10.5 million, which is a decrease from prior year of approximately \$600,000 from the prior year due to current year principal payments on the utility fund's leases and revenue bonds payable.

**MANAGEMENT DISCUSSION AND ANALYSIS  
(UNAUDITED)  
CITY OF BUTLER, MO  
MARCH 31, 2009**

**Economic Factor's and Next Year's Budget**

The economic forecast for the City of Butler is still difficult to predict due to the recovering economy. We have seen less sales tax revenues for the current year compared to the prior year revenues and would project that these will be flat or even reduced in preparation of the FY 2010-2011 Budget. As a result, this will require adjustment of expenditures that are funded with sales tax revenues. The City Council approved a Five Year Capital Improvement Plan with the FY 2009-2010 Budget to identify City needs over a five year period for equipment and projects. This should help with the preparation of future budgets and meeting these needs. Ongoing maintenance, repairs and improvements will be continued for street, storm water, water, sewer and the electric systems.

With the federal government debating health care reform it is unclear as to what to expect if a national health care program is approved. Management will continue to monitor this legislation and budget accordingly. Other federal legislation that could cause electric rates to go up substantially for all rate payers in Missouri is the "Cap and Trade" legislation. This could result in a substantial increase in the cost of wholesale electricity and could require the City Council to consider an electric rate increase for City's electric customers.

The preparation of the FY 2010-2011 Budget will be a challenge as the City deals with flat or declining sales tax revenues and the potential for increased expenditures in other areas.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Butler's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Butler  
22 W. Ohio Street, P.O. Box 420  
Butler, Missouri 64730  
(660) 679-4182  
marbuthnot\_cob@earthlink.net

Mark Arbuthnot, City Administrator  
Casey Koehn, City Clerk

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City Official

**CITY OF BUTLER, MISSOURI**  
**STATEMENT OF NET ASSETS**  
**MARCH 31, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,992,110	\$ 1,491,532	\$ 3,483,642
Accrued interest receivable	6,367	-	6,367
Accounts and taxes receivable, net	341,374	501,551	842,925
Inventory	72,696	696,681	769,377
Prepaid insurance	33,014	20,798	53,812
Total current assets	<u>2,445,561</u>	<u>2,710,562</u>	<u>5,156,123</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	3,587,028	3,587,028
Unamortized bond and capital lease costs, net	-	136,716	136,716
Capital assets:			
Land and easements	876,129	119,145	995,274
Buildings	4,224,134	1,601,332	5,825,466
Plant, structure, and lines	-	-	-
Equipment and vehicles	1,738,811	5,055,719	6,794,530
Construction in progress	-	106,463	106,463
Infrastructure	2,269,860	16,008,084	18,277,944
Accumulated depreciation	<u>(2,752,261)</u>	<u>(8,651,806)</u>	<u>(11,404,067)</u>
Total noncurrent assets	<u>6,356,673</u>	<u>17,962,681</u>	<u>24,319,354</u>
Total assets	<u>8,802,234</u>	<u>20,673,243</u>	<u>29,475,477</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	319,544	470,042	789,586
Accrued liabilities	-	29,083	29,083
Service deposits payable	-	145,631	145,631
Current portion of long-term obligations	193,786	403,600	597,386
Total current liabilities	<u>513,330</u>	<u>1,048,356</u>	<u>1,561,686</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	3,071,880	10,136,320	13,208,200
Compensated absences	-	23,253	23,253
Total noncurrent liabilities	<u>3,071,880</u>	<u>10,159,573</u>	<u>13,231,453</u>
Total liabilities	<u>3,585,210</u>	<u>11,207,929</u>	<u>14,793,139</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,091,007	3,746,792	6,837,799
Restricted for:			
Other purposes	321,209	-	321,209
Unrestricted (deficit)	1,804,808	5,718,522	7,523,330
Total net assets	<u>\$ 5,217,024</u>	<u>\$ 9,465,314</u>	<u>\$ 14,682,338</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BUTLER, MISSOURI  
STATEMENT OF ACTIVITIES  
MARCH 31, 2009

Functions/ Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Administrative	\$ 529,865	\$ 50,374	\$ 15,127	\$ -	\$ (464,364)	\$ -	\$ (464,364)
Airport	655,467	20,713	534,777	-	(99,977)	-	(99,977)
Cemetery	101,441	47,234	-	-	(54,207)	-	(54,207)
Code enforcement	361	-	-	-	(361)	-	(361)
Community development	6,876	-	-	-	(6,876)	-	(6,876)
Court	126,932	16,929	-	-	(110,003)	-	(110,003)
Emergency management	9,002	11,759	-	-	2,757	-	2,757
Fire	253,181	9,070	-	-	(244,111)	-	(244,111)
Industrial park	1,044	-	-	-	(1,044)	-	(1,044)
Parks	308,722	5,000	-	-	(303,722)	-	(303,722)
Police	862,222	144,583	-	-	(717,639)	-	(717,639)
Recreation and aquatics	81,323	79,650	-	-	(1,673)	-	(1,673)
Shop	37,926	-	-	-	(37,926)	-	(37,926)
Street	477,411	-	4,594	-	(472,817)	-	(472,817)
Debt service	176,010	-	-	-	(176,010)	-	(176,010)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>3,627,783</b>	<b>385,312</b>	<b>554,498</b>	<b>-</b>	<b>(2,687,973)</b>	<b>-</b>	<b>(2,687,973)</b>
Business-type activities:							
Utilities	7,768,540	7,672,043	7,821	-	-	(88,676)	(88,676)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>7,768,540</b>	<b>7,672,043</b>	<b>7,821</b>	<b>-</b>	<b>-</b>	<b>(88,676)</b>	<b>(88,676)</b>
<b>TOTAL GOVERNMENT</b>	<b>\$ 11,396,323</b>	<b>\$ 8,057,355</b>	<b>\$ 562,319</b>	<b>\$ -</b>	<b>(2,687,973)</b>	<b>(88,676)</b>	<b>(2,776,649)</b>

  

General Revenues:			
Taxes:			
Ad valorem taxes	243,319	-	243,319
Sales taxes	1,341,026	-	1,341,026
Franchise taxes	224,812	-	224,812
Motor vehicle and gas taxes	174,189	-	174,189
Payment in lieu of tax	681,212	-	681,212
Other taxes	183,227	-	183,227
Investment earnings	23,419	112,977	136,396
Miscellaneous	32,637	29,568	62,205
Special/item - Loss on sale of capital assets	(7,585)	-	(7,585)
Transfers:	(165,562)	165,562	-
Total general revenues and transfers	2,730,694	308,107	3,038,801
Change in net assets	42,721	219,431	262,152
Net assets-beginning	5,174,303	9,245,883	14,420,186
Net assets-ending	\$ 5,217,024	\$ 9,465,314	\$ 14,682,338

The accompanying notes are an integral part of the financial statements.

CITY OF BUTLER, MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2009

	General Fund	Transportation Tax Fund	Park Fund	Fire Protection Tax Fund	Airport Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	978,381	492,919	498,415	12,673	9,722	-	1,992,110
Accrued interest receivable	6,367	-	-	-	-	-	6,367
Accounts and taxes receivable, n	242,270	44,162	44,157	10,785	-	-	341,374
Prepaid insurance	31,197	-	-	-	1,817	-	33,014
Inventory	72,696	-	-	-	-	-	72,696
Total assets	<u>1,330,911</u>	<u>537,081</u>	<u>542,572</u>	<u>23,458</u>	<u>11,539</u>	<u>-</u>	<u>2,445,561</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	268,167	2,947	-	-	771	-	271,885
Accrued liabilities	47,659	-	-	-	-	-	47,659
Total liabilities	<u>315,826</u>	<u>2,947</u>	<u>-</u>	<u>-</u>	<u>771</u>	<u>-</u>	<u>319,544</u>
Fund balances:							
Reserved for:							
Other purposes	321,209	-	-	-	-	-	321,209
Unreserved, reported in:							
General fund	693,876	-	-	-	-	-	693,876
Special revenue funds	-	534,134	542,572	23,458	10,768	-	1,110,932
Total fund balances	<u>1,015,085</u>	<u>534,134</u>	<u>542,572</u>	<u>23,458</u>	<u>10,768</u>	<u>-</u>	<u>2,126,017</u>
Total liabilities and fund balances	<u>1,330,911</u>	<u>537,081</u>	<u>542,572</u>	<u>23,458</u>	<u>11,539</u>	<u>-</u>	<u>2,445,561</u>

**Reconciliation to Statement of Net Assets**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$9,108,934 and the accumulated depreciation is \$2,752,261.

Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.

**Total net assets - governmental activities**

6,356,673  
(3,265,666)  
5,217,024

CITY OF BUTLER, MISSOURI  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2009

	General Fund	Transportation Tax Fund	Park Fund	Fire Protection Tax Fund	Airport Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>							
Property taxes	\$ 239,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 239,373
Franchise taxes	224,812	-	-	-	-	-	224,812
Sales taxes	631,259	315,727	315,467	78,573	-	-	1,341,026
Other taxes	1,042,574	-	-	-	-	-	1,042,574
Fines, forfeitures, and penalties	159,129	-	-	-	-	-	159,129
Licenses and permits	13,888	-	-	-	-	-	13,888
Federal and state grants	553,498	-	-	-	-	-	553,498
Donations received	8,833	-	-	-	-	-	8,833
Charges for goods & services	175,834	-	-	-	-	-	175,834
Rental revenue	700	-	-	-	20,713	-	21,413
Investment earnings	17,309	5,697	248	165	-	-	23,419
Miscellaneous	39,653	-	-	-	199	-	39,852
Total revenues	<u>3,106,862</u>	<u>321,424</u>	<u>315,715</u>	<u>78,738</u>	<u>20,912</u>	<u>-</u>	<u>3,843,651</u>
<b>EXPENDITURES</b>							
Current							
Administrative	506,910	-	-	-	-	-	506,910
Airport	596,014	-	-	-	21,256	-	617,270
Cemetery	97,427	-	-	-	-	-	97,427
Code enforcement	361	-	-	-	-	-	361
Community development	6,876	-	-	-	-	-	6,876
Court	126,932	-	-	-	-	-	126,932
Emergency management	4,405	-	-	-	-	-	4,405
Fire	207,516	-	-	70,063	-	-	277,579
Industrial park	52,333	-	-	-	-	-	52,333
Parks	213,609	-	56,135	-	-	-	269,744
Police	832,565	-	-	-	-	-	832,565
Recreation and aquatics	81,323	-	-	-	-	-	81,323
Shop	37,159	-	-	-	-	-	37,159
Street	224,361	208,205	-	-	-	-	432,566
Debt Service							
Principal and interest	-	-	214,875	-	-	-	214,875
Total expenditures	<u>2,987,791</u>	<u>208,205</u>	<u>271,010</u>	<u>70,063</u>	<u>21,256</u>	<u>-</u>	<u>3,558,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>119,071</u>	<u>113,219</u>	<u>44,705</u>	<u>8,675</u>	<u>(344)</u>	<u>-</u>	<u>285,326</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds of long-term debt	-	-	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-	-	-
Changes in fair value of investments	-	-	-	-	-	-	-
Realized loss on investment	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	(6,973)	-	-	-	-	(158,589)	(165,562)
Total other financing sources (uses)	<u>(6,973)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(158,589)</u>	<u>(165,562)</u>
Net change in fund balances	112,098	113,219	44,705	8,675	(344)	(158,589)	119,764
Fund balance - beginning	902,987	420,915	497,867	14,783	11,112	158,589	2,006,253
Fund balances - ending	<u>\$1,015,085</u>	<u>\$ 534,134</u>	<u>\$ 542,572</u>	<u>\$ 23,458</u>	<u>\$ 10,768</u>	<u>\$ -</u>	<u>\$ 2,126,017</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BUTLER, MISSOURI  
 RECONCILIATION OF THE COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED MARCH 31, 2009

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

**Net change in fund balances - Total governmental funds** \$ 119,764

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Loss on disposal of capital assets	\$ (7,585)	
Depreciation expense	<u>(263,244)</u>	
		(270,829)

Fixed assets acquired by capital leases or other financing arrangements are shown as an expenditure in the governmental funds. However, in the statement of activities, principal payments are applied to the lease liability or note payable.

Principal paid on capital leases	<u>193,786</u>	
		<u>193,786</u>

**Change in net assets of governmental activities** \$ 42,721

CITY OF BUTLER, MISSOURI  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
MARCH 31, 2009

Business-Type Activities -  
Enterprise Funds

Utility  
Fund

**ASSETS**

Current assets:

Cash and cash equivalents - unrestricted	\$ 1,491,532
Utilities receivable, net	501,551
Inventory	696,681
Prepaid insurance	20,798
Total current assets	<u>2,710,562</u>

Noncurrent assets:

Restricted cash and cash equivalents	3,587,028
Unamortized bond and capital lease costs, net	136,716

Capital assets:

Land and easements	119,145
Buildings	1,601,332
Plant, structure, and lines	-
Equipment and vehicles	5,055,719
Construction in progress	106,463
Infrastructure	16,008,084
Accumulated depreciation	<u>(8,651,806)</u>
Total noncurrent assets	<u>17,962,681</u>
Total assets	<u>20,673,243</u>

**LIABILITIES**

Current liabilities:

Accounts payable	470,042
Accrued expenses	29,083
Service deposits payable	145,631
Current portion of long-term obligations	403,600
Total current liabilities	<u>1,048,356</u>

Noncurrent liabilities:

Noncurrent portion of long-term obligations	10,136,320
Compensated absences	23,253
Total noncurrent liabilities	<u>10,159,573</u>
Total liabilities	<u>11,207,929</u>

**NET ASSETS**

Invested in capital assets, net of related debt	3,746,792
Unrestricted (deficit)	<u>5,718,522</u>
Total net assets	<u>\$ 9,465,314</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BUTLER, MISSOURI  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2009

	Business-Type Activities - Enterprise Funds
	Utility Fund
<b>OPERATING REVENUES</b>	
Charges for services	\$ 7,578,378
Penalty and fees	93,665
Miscellaneous	29,568
Federal grants	7,821
Total operating revenues	7,709,432
<b>OPERATING EXPENSES</b>	
Salaries and wages	726,100
Employee benefits	205,394
Materials and supplies	223,041
Chemicals and lab supplies	145,643
Engineering	4,251
Gas and oil	29,680
Power purchased	4,238,426
General and administrative	18,149
Repairs and maintenance	49,419
Telephone and utilities	128,301
Sanitation	234,407
Insurance	92,749
Travel, meetings and dues	11,325
Professional services	28,650
Depreciation	651,757
Payment in lieu of tax	681,212
Loan payment	-
Miscellaneous	85,323
Total operating expenses	7,553,827
Income (loss) from operations	155,605
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	112,977
Interest expense	(214,713)
Total non-operating revenues (expenses)	(101,736)
Income (loss) before operating transfers	53,869
<b>OTHER FINANCING SOURCES (USES):</b>	
Transfers in	165,562
Total other financing sources (uses)	165,562
<b>CHANGE IN NET ASSETS</b>	219,431
<b>TOTAL NET ASSETS, BEGINNING</b>	9,245,883
<b>TOTAL NET ASSETS, ENDING</b>	\$ 9,465,314

The accompanying notes are an integral part of the financial statements.

**CITY OF BUTLER, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2009**

	<b>Utility Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 7,830,311
Payments to suppliers	(5,850,104)
Payments to employees	(726,100)
Net cash provided (used) by operations	1,254,107
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Operating transfers in/(out)	165,562
Decrease in restricted cash	151,215
Increase in restricted cash/meter deposits	(15,355)
Net cash provided (used) by non-capital financing activities	301,422
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Payments on long-term obligations	(591,469)
Interest paid on long-term obligations	214,713
Cash paid for construction in progress	(106,463)
Net cash provided (used) by capital financing activities	(483,219)
<b>CASH FLOWS FROM CAPITAL INVESTING ACTIVITIES</b>	
Interest income	112,977
Net cash provided (used) by investing activities	112,977
<b>NET INCREASE (DECREASE) IN CASH</b>	1,185,287
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	735,671
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 1,920,958
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Net income (loss) from operations	\$ 155,605
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation and amortization	651,757
Increase (decrease) in accounts payable and accrued expenses	289,946
Decrease (increase) in inventory	20,565
Increase (decrease) in meter deposits	15,355
Decrease (increase) in receivables	120,879
Net cash provided (used) by operations	\$ 1,254,107

The accompanying notes are an integral part of the financial statements.

## CITY OF BUTLER, MISSOURI

### NOTES TO THE BASIC FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### A. FINANCIAL REPORTING ENTITY

The City operates under a Council-City Administrator form of government and provides such services as are authorized by its charter: public safety (police and fire), streets, culture-recreation, public improvements, planning and general administrative services. Other services include water, sewer, electric, and sanitation operations.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Butler (the primary government) and any component units. The criteria of GASB Statement No. 14, "The Financial Reporting Entity," and Statement No. 39, "Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14," are used to determine whether entities are to be included as component units of the City, and whether they should be reported as blended or discretely presented component units. There were no entities meeting these criteria during the year ended March 31, 2009.

##### B. BASIS OF PRESENTATION

###### 1. Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**B. BASIS OF PRESENTATION (continued):**

1. Government-wide Financial Statements (continued):

externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

2. Fund Financial Statements

The accounts of the City are organized on the basis of funds and account groups, 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, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled.

The various funds are grouped, in the financial statements in this report, into four generic fund types and three broad fund categories as follows:

a. Governmental Funds

- General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds - Special revenue funds are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for special purposes. The City has eight special revenue funds, which are listed in the table of contents.

b. Proprietary Funds

- Enterprise Funds - Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has one Enterprise Fund which is the Utility Fund.

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**B. BASIS OF PRESENTATION (continued):**

**3. Major Funds**

The funds are further classified as major, as follows:

<b><u>Major Funds:</u></b>	<b><u>Brief Description</u></b>
General	See above for description.
Special Revenue Funds:	
Transportation Tax	Accounts for resources restricted for street improvements.
Park	Accounts for resources restricted for parks.
Airport	Accounts for operations of the City's airport.
Capital Improvements	Accounts for resources restricted for capital projects.
Fire Protection	Accounts for resources restricted for fire expenditures.
Proprietary Funds:	
Utility	Accounts for the activities of the City's utility services.

**C. BASIS OF ACCOUNTING**

In April 1, 2005, the City implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, GASB Statement No. 38, *Certain Financial Statement Disclosures* which changes note disclosure requirements for governmental entities, and GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences – an amendment of GASB Statement No. 34*.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**C. BASIS OF ACCOUNTING (continued):**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes, franchise taxes, licenses, interest, and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, and all other grant requirements have been met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received. Expenditures are recorded when the related fund liability is incurred.

All proprietary funds and nonexpendable trust funds are accounted for on a cost of services or "capital maintenance" measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Unbilled water and sewer receivables are not recognized in the financial statements and their estimated amounts are deemed immaterial. Uncollected accounts are periodically reviewed and written off when considered completely worthless.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. All revenues and expenses not meeting this definition, such as interest income and interest expense, are reported as non-operating revenues and expenses.

The accounting records of the City are maintained on the cash basis and memorandum entries have been made to present the accompanying financial statements on the accrual or modified accrual basis of accounting, according to fund type.

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**D. ESTIMATES**

The preparation of the basic financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**E. BUDGETS AND BUDGETARY ACCOUNTING**

A proposed operating budget for the year is required to be submitted to the City Council by the end of February of the prior year. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. The appropriations are required to be legally adopted prior to March 31.

The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department or transfer of unencumbered appropriations of a department must be approved by the City Council upon written request of the Manager. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original appropriations ordinance. If the Manager certifies that revenues are in excess of those estimated in the budget, supplemental appropriations may be made to the amount of such excess upon approval of the Council.

Formal budgetary integration is employed as a management control device during the year for all funds.

The financial statements in this report are prepared in accordance with generally accepted accounting principles for governmental units. The budget is prepared, in accordance with Missouri Statutes, on the cash basis.

**F. INTERGOVERNMENTAL REVENUE**

Intergovernmental revenues are reported under the legal and contractual requirements of the individual programs, generally when the corresponding expenditure is recorded.

**G. INVENTORIES**

Inventory in the proprietary fund consists primarily of electrical and water/sewer service supplies and street materials, and is valued at average cost which approximates market, using the first-in/first-out (FIFO) method.

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**H. CAPITAL ASSETS**

GASB No. 34 required the City to report and depreciate new infrastructure assets effective April 1, 2005. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund financial statements. Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest costs associated with debt incurred for construction of capital assets are also capitalized.

Capital assets owned by the proprietary funds are stated at cost. Contributed assets are stated at estimated fair market value at date of contribution. Depreciation of all exhaustible capital assets used by proprietary and non-expendable trust funds is charged as an expense against their operations. Accumulated depreciation is reported on their balance sheets. Depreciation is reported on their statement of revenues, expenses, and changes in retained earnings.

Depreciation is provided in these funds using the straight-line method over the estimated useful lives of the assets as follows.

Buildings and improvements	10-50 Years
Furniture, machinery and equipment	5-50 Years
Infrastructure	10-66 Years

**I. ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR PROPRIETARY FUNDS**

The City requires its customers to make a customer deposit when water and sewer service is connected. This deposit is used to offset any outstanding water and sewer receivables with the remainder of the deposit being refunded to the customer upon departure from the City by using the direct write off method. Any allowance for doubtful accounts is considered immaterial by management.

**J. 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. The general fund tax rate per \$100 of assessed valuation is \$.6455.

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**K. LIABILITY FOR COMPENSATED ABSENCES**

Employees earn vacation time based on the number of years 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 Assets.

**2. CASH AND INVESTMENTS:**

Cash and cash equivalents for purposes of the proprietary funds' statement of cash flows consist of demand and time deposits with local financial institutions.

The City's investment policies are governed by the City Charter and written management policies. City monies are deposited in FDIC-insured banks located within the state. Additionally, the City is authorized to invest in bonds, bills, or notes of the United States Treasury, and collateralized certificates of deposits. Any investment in any other type of security requires advanced approval by the City Council.

Collateral is required for demand deposits and certificates of deposit. The market value of the collateral must equal 100% of deposits not covered by federal deposit insurance. Obligations pledged to secure deposits include obligations of the U.S. Government, State of Missouri, State or City governments, Federal agency obligations, certificates of deposit, and repurchase agreements.

At year-end, the bank balance of the City's deposits was \$3,318,156. Of this balance, \$613,073 was insured through federal deposit insurance and \$2,705,083 was collateralized with securities held by the pledging financial institution or its agent. The total market value of securities pledged for collateral at March 31, 2009 equaled \$4,029,590. At March 31, 2009 all deposits in excess of federal deposit insurance were fully collateralized.

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**3. CAPITAL ASSETS:**

The capital assets of the proprietary funds at March 31, 2009 are as follows:

	<u>Balance March 31, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance March 31, 2009</u>
Utility Fund				
Land	\$ 119,145	-	-	\$ 119,145
Construction in progress	-	106,463		106,463
Furniture and equipment	4,376,699	-	-	4,376,699
Heavy equipment	366,595	-	-	366,595
Buildings	1,601,332	-	-	1,601,332
Vehicles	312,425	-	-	312,425
Infrastructure	<u>16,008,084</u>	-	-	<u>16,008,084</u>
Total	22,784,280	106,463	-	22,890,743
Accumulated depreciation Utility Fund	<u>(8,000,049)</u>	<u>(651,757)</u>	-	<u>(8,651,806)</u>
Net fixed assets	<u>\$ 14,784,231</u>	<u>\$ (545,294)</u>	<u>\$ -</u>	<u>\$ 14,238,937</u>

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**3. CAPITAL ASSETS (continued):**

The capital assets of the governmental funds at March 31, 2009 are as follows:

	<u>Balance March 31, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance March 31, 2009</u>
General Fund				
Land	\$ 448,629	-	-	\$ 448,629
Buildings and land improvements	4,103,110	-	-	4,103,110
Furniture, machinery, and equipment	1,737,299	-	(19,488)	1,717,811
Infrastructure	567,940	-	-	567,940
Airport Fund				
Buildings	121,024	-	-	121,024
Land	427,500	-	-	427,500
Equipment	21,000	-	-	21,000
Infrastructure	1,701,920	-	-	1,701,920
Total	<u>9,128,422</u>	<u>-</u>	<u>(19,488)</u>	<u>9,108,934</u>
Accumulated depreciation				
General Fund	(1,703,782)	(225,047)	11,903	(1,916,926)
Airport Fund	<u>(797,138)</u>	<u>(38,197)</u>	<u>-</u>	<u>(835,335)</u>
Total	<u>(2,500,920)</u>	<u>(263,244)</u>	<u>11,903</u>	<u>(2,752,261)</u>
Net fixed assets	<u>\$ 6,627,502</u>	<u>\$ (263,244)</u>	<u>\$ (7,585)</u>	<u>\$ 6,356,673</u>

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**3. CAPITAL ASSETS (continued):**

Depreciation expense was charged as direct expense as follows:

Business-type activities:		
Water		\$ 308,321
Sewer		137,507
Electric		205,929
		<u>\$ 651,757</u>
Governmental activities:		
Administration		\$ 11,066
Airport		38,197
Cemetery		4,014
Emergency management		4,597
Fire		34,988
Parks		95,113
Police		29,657
Shop		767
Street		44,845
		<u>\$ 263,244</u>

**4. LONG-TERM OBLIGATIONS:**

The following is a summary of changes in long-term liabilities of the City for the year ended March 31, 2009:

	Balance March 31, 2008	<u>Additions</u>	<u>(Reductions)</u>	Balance March 31, 2009
<u>Governmental Type Activities</u>				
Capital Lease obligations	\$ 3,459,452	\$ -	\$ (193,786)	\$ 3,265,666
Compensated absences	-	-	-	-
Total	<u>\$ 3,459,452</u>	<u>\$ -</u>	<u>\$ (193,786)</u>	<u>\$ 3,265,666</u>
<u>Business -Type Activities</u>				
Notes Payable				
Note Payable - Energy Loan	\$ 12,140	\$ -	\$ (12,140)	\$ -
Capital Lease obligations	1,321,200	-	(88,600)	1,232,600
Revenue Bonds Payable	9,798,049	-	(490,729)	9,307,320
Compensated Absences	23,253	-	-	23,253
Total	<u>\$ 11,154,642</u>	<u>\$ -</u>	<u>\$ (591,469)</u>	<u>\$ 10,563,173</u>

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**4. LONG-TERM OBLIGATIONS (continued):**

**Governmental Activities:**

Capital Leases

The City issued \$3,105,000 Certificates of Participation, Series 2002, for construction of an Aquatic Center. The certificates have interest ranging from 2.5% to 4.2% per annum, payable semi-annually on March 1 and September 1, with principal payable March 1. Final maturity is on March 1, 2022.

\$ 2,615,000

The City entered into a lease agreement with the Missouri Association of Municipal Utilities on July 19, 2005 to acquire a building to be used as the City Hall for a total cost of \$252,000. \$151,200 of this amount was recorded as a capital lease obligation in the General Fund and \$100,800 was recorded as a capital lease obligation in the Utility Fund. The lease bears variable interest, currently 3% per annum, with a maturity date of July 19, 2015. The Governmental Activities balance is:

98,400

The City entered into a lease agreement with a bank for \$327,961 on October 3, 2007 for the purchase of a new fire truck and for improvements to an existing fire truck. A 1/8 cent special sales tax was approved by voters on February 6, 2007 to finance the lease agreement. The lease bears interest at 5.25% per annum, with a maturity date of March 13, 2013.

240,266

The City entered into a lease agreement with a bank for \$348,000 on August 29, 2007 with the Industrial Development Authority of the City of Butler to finance improvements to a speculative industrial building. The lease bears interest at 8% per annum, with principal and interest due March 1 and September 1, and a maturity date of September 1, 2017.

312,000

Total Capital Leases

\$ 3,265,666

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**4. LONG-TERM DEBT (continued):**

Debt service requirements for the Governmental Activities capital leases are as follows:

Year ending March 31,	Principal	Interest	Total
2010	\$ 208,980	\$ 164,451	\$ 373,431
2011	224,345	154,095	378,440
2012	239,892	142,890	382,782
2013	225,649	131,000	356,649
2014	201,400	121,116	322,516
2015 - 2019	1,155,400	434,942	1,590,342
2020 - 2022	1,010,000	116,278	1,126,278
	<u>\$ 3,265,666</u>	<u>\$ 1,264,772</u>	<u>\$ 4,530,438</u>

**Business Type Activities:**

Capital Leases

The City entered into a lease agreement with the Missouri Association of Municipal Utilities on July 19, 2005 to acquire a building to be used as the City Hall for a total cost of \$252,000. \$151,200 of this amount was recorded as a capital lease obligation in the General Fund and \$100,800 was recorded as a capital lease obligation in the Utility Fund. The lease bears variable interest, currently 3% per annum, with a maturity date of July 19, 2015. The Business Type Activities balance is:

\$ 65,600

The City entered into a lease agreement with the Missouri Association of Municipal Utilities on August 31, 2006 to refinance an existing lease and to provided funds to improve the utility system for a total cost of \$1,360,000. The lease bears interest at 4.06% per annum, with principal and interest payable monthly, and a maturity date of June, 2020

1,167,000

Total Capital Leases

\$ 1,232,600

CITY OF BUTLER, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. LONG-TERM DEBT (continued):

Debt service requirements for the Business Type Activities capital leases are as follows:

Year ending March 31,	Principal	Interest	Total
2010	\$ 93,600	\$ 164,451	\$ 258,051
2011	93,600	154,095	247,695
2012	97,600	142,890	240,490
2013	105,600	131,000	236,600
2014	105,600	121,116	226,716
2015 - 2019	574,600	90,022	664,622
2020 - 2021	162,000	4,383	166,383
	<u>\$ 1,232,600</u>	<u>\$ 807,957</u>	<u>\$ 2,040,557</u>

Revenue Bonds

The City issued the \$3,000,000 Series 2001A Waterworks and Sewerage System Revenue Bonds - Clean Water Project, dated July 1, 2001. The bonds are secured by system revenues. The bonds bear interest from 3.0% to 5.75% per annum and mature on July 1, 2023.

\$ 2,380,000

The City issued the \$5,000,000 Series 2001B Waterworks and Sewerage System Revenue Bonds - Drinking Water Project, dated July 1, 2001. The bonds are secured by system revenues. The bonds bear interest from 3.0% to 5.75% per annum and mature on July 1, 2022.

3,760,000

Total

6,140,000

Unamortized premium on bonds

232,845

Carrying value of revenue bonds

\$ 6,372,845

Amortization of bond premium, which is recorded as a reduction in interest expense on the bonds, was \$17,573 for the fiscal year ended March 31, 2009.

Both issues may be called for redemption prior to maturity under terms contained in the bond indentures.

The bonds are issued under the Missouri SRF leveraged loan program, which is a subsidized low interest loan program. These bonds are purchased by and resold nationally by the Missouri State Environmental Improvement and Energy Resources Authority. Funds generated by the sale are deposited with a trustee in the applicant's name and are used for construction. As construction costs are incurred, state and federal funds are deposited into a reserve account in an amount equal to 70% or more of the construction cost. Interest earned on the reserve is credited to the interest portion of the debt service charge on the bonds thereby providing the interest subsidy to the recipient.

CITY OF BUTLER, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. LONG-TERM DEBT (continued):

Debt service requirements for the revenue bonds, which do not include the interest subsidy, are as follows:

<u>March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 330,000	\$ 308,181	\$ 638,181
2011	345,000	290,463	635,463
2012	360,000	274,206	634,206
2013	380,000	256,793	636,793
2014	400,000	253,831	653,831
2015 - 2019	2,355,000	821,853	3,176,853
2020 - 2023	1,970,000	174,000	2,144,000
	<u>\$ 6,140,000</u>	<u>\$ 2,379,327</u>	<u>\$ 8,519,327</u>

The above bonds were issued as a condition for participating in the "State Revolving Fund (SRF) Program." Under terms of the SRF Program agreement, the State of Missouri purchases bonds issued by the participants. Additionally, moneys from the revolving loan fund are used to fund a bond reserve account for each participant. Interest earned from the bond reserve account is used by the master trustee to fund a portion of each participant's interest payments on these bonds. As bond principal is retired, the master trustee withdraws a proportionate amount from the bond reserve fund and returns those monies to the State Revolving Fund.

SRF loans payable under the program:

Series 2001A Clean Water Project	\$ 1,607,232
Series 2001B Drinking Water Project	<u>1,327,241</u>
	<u>\$ 2,934,473</u>

Article VI, Section 26 (b) and (c), Constitution of Missouri, limits the outstanding amount of general obligation debt of a City to 10% of the assessed valuation of tangible property of the City, plus, under Article VI, Section 26 (d) and (e), another 10% for the purpose of acquiring right of way, construction, extending and improving streets and/or sewer systems, and purchase or construction of water and electric plants for a total of 20%. The legal debt margin of the City at March 31, 2009, is computed as follows:

2008 assessed valuation	<u>\$ 42,231,614</u>
Article VI, Section 26 (b) and (c) – 10%	4,223,161
Article VI, Section 26 (d) and (e) – 10%	<u>4,223,161</u>
Constitutional debt limit	8,446,322
General obligation debt	<u>-0-</u>
Legal debt margin	<u>\$ 8,446,322</u>

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**5. DEFINED BENEFIT PENSION PLAN:**

The LAGERS Staff Retirement Plan is an agent multi-employer defined benefit pension plan administered by the LAGERS Board of Trustees. The plan provides retirement, death and disability benefits to system employees and beneficiaries. The plan document is controlled by the LAGERS Board of Trustees. The LAGERS Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the Staff Retirement Plan. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102.

The contribution requirements of plan members and the employer are governed by the plan document, which may be amended by the LAGERS Board of Trustees. Plan members do contribute toward the retirement plan. The City's required contribution for the year ended March 31, 2009 was \$147,480 based on contributions of 7.8% of general wages, 7.4% of police wages and 8.5% of fire wages. The City is required to contribute the amounts necessary to fund the System, using the actuarial basis specified by the System.

**6. CONTINGENT LIABILITIES:**

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**CITY OF BUTLER, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2009**

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	Positive (Negative)
<b>REVENUES</b>						
Taxes						
Ad valorem taxes	\$ 244,500	\$ 244,500	\$ 239,373	\$ -	\$ 239,373	\$ (5,127)
Payment-in-lieu of tax	715,000	715,000	681,212	-	681,212	(33,788)
Sales tax	605,000	605,000	631,259	-	631,259	26,259
State motor fuel tax	188,500	188,500	174,189	-	174,189	(14,311)
Franchise taxes	215,000	215,000	224,812	-	224,812	9,812
Railroad and utility taxes	2,200	2,200	2,412	-	2,412	212
Financial institution tax	-	-	1,810	-	1,810	1,810
Telecommunications tax	193,000	193,000	144,192	-	144,192	(48,808)
Other taxes	18,800	18,800	38,759	-	38,759	19,959
	<u>2,182,000</u>	<u>2,182,000</u>	<u>2,138,018</u>	<u>-</u>	<u>2,138,018</u>	<u>(43,982)</u>
Licenses and Permits						
Business licenses	8,500	8,500	8,459	-	8,459	(41)
Other	5,400	5,400	5,429	-	5,429	29
	<u>13,900</u>	<u>13,900</u>	<u>13,888</u>	<u>-</u>	<u>13,888</u>	<u>(12)</u>
Intergovernmental Revenues						
Federal	997,700	997,700	548,580	-	548,580	(449,120)
State	-	-	4,918	-	4,918	4,918
	<u>997,700</u>	<u>997,700</u>	<u>553,498</u>	<u>-</u>	<u>553,498</u>	<u>(444,202)</u>
Charges for Services						
Cemetery	47,000	47,000	47,234	-	47,234	234
Fire	10,200	10,200	9,070	-	9,070	(1,130)
Recreation and aquatics	70,100	70,100	79,650	-	79,650	9,550
Emergency management	34,500	34,500	37,802	-	37,802	3,302
Rental income	600	600	700	-	700	100
Fines and forfeitures	186,830	186,830	159,129	5,538	164,667	(22,163)
Other	2,000	2,000	2,078	-	2,078	78
	<u>351,230</u>	<u>351,230</u>	<u>335,663</u>	<u>5,538</u>	<u>341,201</u>	<u>(10,029)</u>
Miscellaneous						
Interest	11,000	11,000	17,309	-	17,309	6,309
Donations and other contributions	10,000	10,000	8,833	-	8,833	(1,167)
Sale of property	6,000	6,000	250	-	250	(5,750)
Other	23,850	23,850	39,403	-	39,403	15,553
	<u>50,850</u>	<u>50,850</u>	<u>65,795</u>	<u>-</u>	<u>65,795</u>	<u>14,945</u>
<b>TOTAL REVENUES</b>	<u>3,595,680</u>	<u>3,595,680</u>	<u>3,106,862</u>	<u>5,538</u>	<u>3,112,400</u>	<u>(483,280)</u>
<b>EXPENDITURES</b>						
Current						
Administrative	529,700	529,700	506,910	8,480	515,390	(14,310)
Airport	702,095	702,095	596,014	-	596,014	(106,081)
Cemetery	115,400	115,400	97,427	-	97,427	(17,973)
Code enforcement	6,500	6,500	361	-	361	(6,139)
Community development	10,450	10,450	6,876	-	6,876	(3,574)
Court	136,651	136,651	126,932	-	126,932	(9,719)
Emergency management	9,100	9,100	4,405	-	4,405	(4,695)
Fire	237,700	237,700	207,516	-	207,516	(30,184)
Industrial park	57,325	57,325	52,333	-	52,333	(4,992)
Park maintenance	242,200	242,200	213,609	-	213,609	(28,591)
Police	868,250	868,250	832,565	-	832,565	(35,685)
Recreation and aquatics	70,100	70,100	81,323	-	81,323	11,223
Shop	62,920	62,920	37,159	-	37,159	(25,761)
Street	577,850	577,850	224,361	(31,236)	193,125	(384,725)
Interfund transfer	-	-	6,973	(6,973)	-	-
<b>TOTAL EXPENDITURES</b>	<u>3,626,241</u>	<u>3,626,241</u>	<u>2,994,764</u>	<u>(29,729)</u>	<u>2,965,035</u>	<u>(661,206)</u>
<b>(DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>(30,561)</u>	<u>(30,561)</u>	<u>112,098</u>	<u>35,267</u>	<u>147,365</u>	<u>177,926</u>
FUND BALANCE, April 1	902,987	902,987	902,987	-	902,987	-
FUND BALANCE, March 31	\$ 872,426	\$ 872,426	\$ 1,015,085	\$ 35,267	\$ 1,050,352	\$ 177,926

The accompanying notes are an integral part of the financial statements.

CITY OF BUTLER, MISSOURI  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - TRANSPORTATION TAX FUND  
 FOR THE YEAR ENDED MARCH 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>REVENUES</b>						
Taxes						
Sales tax	\$ 300,000	\$ 300,000	\$ 315,727	\$ -	\$ 315,727	\$ 15,727
Miscellaneous						
Interest	3,000	3,000	5,697	-	5,697	2,697
TOTAL REVENUES	<u>303,000</u>	<u>303,000</u>	<u>321,424</u>	<u>-</u>	<u>321,424</u>	<u>18,424</u>
<b>EXPENDITURES</b>						
Current						
Street	300,000	300,000	208,205	-	208,205	(91,795)
TOTAL EXPENDITURES	<u>300,000</u>	<u>300,000</u>	<u>208,205</u>	<u>-</u>	<u>208,205</u>	<u>(91,795)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,000</u>	<u>3,000</u>	<u>113,219</u>	<u>-</u>	<u>113,219</u>	<u>110,219</u>
FUND BALANCE, April 1	<u>420,915</u>	<u>420,915</u>	<u>420,915</u>	<u>-</u>	<u>420,915</u>	<u>-</u>
FUND BALANCE, March 31	<u>\$ 423,915</u>	<u>\$ 423,915</u>	<u>\$ 534,134</u>	<u>\$ -</u>	<u>\$ 534,134</u>	<u>\$ 110,219</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BUTLER, MISSOURI  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - PARK AND STORM WATER FUND  
 FOR THE YEAR ENDED MARCH 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>REVENUES</b>						
Taxes						
Sales tax	\$ 300,000	\$ 300,000	\$ 315,467	\$ -	\$ 315,467	\$ 15,467
Miscellaneous						
Interest	-	-	248	-	248	248
TOTAL REVENUES	<u>300,000</u>	<u>300,000</u>	<u>315,715</u>	<u>-</u>	<u>315,715</u>	<u>15,715</u>
<b>EXPENDITURES</b>						
Current						
Other operating expenditure	82,400	82,400	56,135	-	56,135	(26,265)
Debt Service						
Principal and interest	<u>223,700</u>	<u>223,700</u>	<u>214,875</u>	<u>-</u>	<u>214,875</u>	<u>(8,825)</u>
TOTAL EXPENDITURES	<u>306,100</u>	<u>306,100</u>	<u>271,010</u>	<u>-</u>	<u>271,010</u>	<u>(35,090)</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>						
	<u>(6,100)</u>	<u>(6,100)</u>	<u>44,705</u>	<u>-</u>	<u>44,705</u>	<u>50,805</u>
<b>FUND BALANCE, April 1</b>						
	<u>497,867</u>	<u>497,867</u>	<u>497,867</u>	<u>-</u>	<u>497,867</u>	<u>-</u>
<b>FUND BALANCE, March 31</b>						
	<u>\$ 491,767</u>	<u>\$ 491,767</u>	<u>\$ 542,572</u>	<u>\$ -</u>	<u>\$ 542,572</u>	<u>\$ 50,805</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BUTLER, MISSOURI  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - AIRPORT FUND  
 FOR THE YEAR ENDED MARCH 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>REVENUES</b>						
Charges for services						
Rental income	\$ 22,680	\$ 24,480	\$ 20,713	\$ -	\$ 20,713	\$ (3,767)
Miscellaneous						
Other	-	-	199	-	199	199
<b>TOTAL REVENUES</b>	<u>22,680</u>	<u>24,480</u>	<u>20,912</u>	<u>-</u>	<u>20,912</u>	<u>(3,568)</u>
<b>EXPENDITURES</b>						
Current						
Other operating expenditures	20,075	21,875	21,256	-	21,256	(619)
<b>TOTAL EXPENDITURES</b>	<u>20,075</u>	<u>21,875</u>	<u>21,256</u>	<u>-</u>	<u>21,256</u>	<u>(619)</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>2,605</u>	<u>2,605</u>	<u>(344)</u>	<u>-</u>	<u>(344)</u>	<u>(2,949)</u>
FUND BALANCE, April 1	11,112	11,112	11,112	-	11,112	-
FUND BALANCE, March 31	<u>\$ 13,717</u>	<u>\$ 13,717</u>	<u>\$ 10,768</u>	<u>\$ -</u>	<u>\$ 10,768</u>	<u>\$ (2,949)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BUTLER, MISSOURI  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CAPITAL PROJECTS FUND  
 FOR THE YEAR ENDED MARCH 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
REVENUES						
Miscellaneous						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-	-	-
EXPENDITURES						
Current						
Interfund transfer	-	-	158,589	-	158,589	158,589
TOTAL EXPENDITURES	-	-	158,589	-	158,589	158,589
EXCESS OF REVENUES OVER EXPENDITURES	-	-	(158,589)	-	(158,589)	(158,589)
FUND BALANCE, April 1	158,589	158,589	158,589	-	158,589	-
FUND BALANCE, March 31	\$ 158,589	\$ 158,589	\$ -	\$ -	\$ -	\$ (158,589)

The accompanying notes are an integral part of the financial statements.

CITY OF BUTLER, MISSOURI  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - FIRE PROTECTION TAX FUND  
 FOR THE YEAR ENDED MARCH 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
REVENUES						
Taxes						
Sales tax	\$ 75,000	\$ 75,000	\$ 78,573	\$ -	\$ 78,573	\$ 3,573
Miscellaneous						
Interest	-	-	165	-	165	165
TOTAL REVENUES	<u>75,000</u>	<u>75,000</u>	<u>78,738</u>	<u>-</u>	<u>78,738</u>	<u>3,738</u>
EXPENDITURES						
Current						
Fire	<u>73,800</u>	<u>73,800</u>	<u>70,063</u>	<u>3,639</u>	<u>73,702</u>	<u>(98)</u>
TOTAL EXPENDITURES	<u>73,800</u>	<u>73,800</u>	<u>70,063</u>	<u>3,639</u>	<u>73,702</u>	<u>(98)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>1,200</u>	<u>1,200</u>	<u>8,675</u>	<u>(3,639)</u>	<u>5,036</u>	<u>3,836</u>
FUND BALANCE, April 1	<u>14,783</u>	<u>14,783</u>	<u>14,783</u>	<u>(7,278)</u>	<u>14,783</u>	<u>-</u>
FUND BALANCE, March 31	<u>\$ 15,983</u>	<u>\$ 15,983</u>	<u>\$ 23,458</u>	<u>\$ (3,639)</u>	<u>\$ 19,819</u>	<u>\$ 3,836</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BUTLER, MISSOURI  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - UTILITY FUND  
 FOR THE YEAR ENDED MARCH 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>REVENUES</b>						
Intergovernmental revenues						
Federal	-	-	7,821	-	7,821	7,821
Charges for services						
Water	1,157,500	1,157,500	1,193,623	-	1,193,623	36,123
Sewer	780,000	780,000	738,498	-	738,498	(41,502)
Electric	6,001,500	6,001,500	5,623,877	-	5,623,877	(377,623)
Penalty and fees	96,400	96,400	93,665	-	93,665	(2,735)
Other	21,000	21,000	21,000	-	21,000	-
Miscellaneous						
Interest	70,000	70,000	112,977	(8,894)	104,083	34,083
Sale of property	-	-	466	-	466	466
Interfund transfer	-	-	165,562	(6,973)	158,589	158,589
Other	13,000	13,000	30,482	-	30,482	17,482
<b>TOTAL REVENUES</b>	<u>8,139,400</u>	<u>8,139,400</u>	<u>7,987,971</u>	<u>(15,867)</u>	<u>7,972,104</u>	<u>(167,296)</u>
<b>EXPENDITURES</b>						
Administration	1,704,565	1,704,565	1,217,672	435,981	1,653,653	(50,912)
Electric plant	4,400,850	4,400,850	4,408,445	-	4,408,445	7,595
Electric transportation and distribution	448,100	448,100	293,801	(20,565)	273,236	(174,864)
Sanitation	258,250	258,250	234,407	-	234,407	(23,843)
Sewer collection	124,350	124,350	96,687	-	96,687	(27,663)
Shop	40,860	40,860	29,812	-	29,812	(11,048)
Water plant	681,100	681,100	451,135	106,463	557,598	(123,502)
Water transportation and distribution	206,650	206,650	149,615	-	149,615	(57,035)
Waste water treatment plant	232,250	232,250	235,209	-	235,209	2,959
Depreciation expense	-	-	651,757	(651,757)	-	-
<b>TOTAL EXPENDITURES</b>	<u>8,096,975</u>	<u>8,096,975</u>	<u>7,768,540</u>	<u>(129,878)</u>	<u>7,638,662</u>	<u>(458,313)</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>42,425</u>	<u>42,425</u>	<u>219,431</u>	<u>114,011</u>	<u>333,442</u>	<u>291,017</u>
FUND BALANCE, April 1	<u>9,245,883</u>	<u>9,245,883</u>	<u>9,245,883</u>	<u>-</u>	<u>9,245,883</u>	<u>-</u>
FUND BALANCE, March 31	<u>9,288,308</u>	<u>9,288,308</u>	<u>9,465,314</u>	<u>114,011</u>	<u>9,579,325</u>	<u>291,017</u>

The accompanying notes are an integral part of the financial statements.

John G. Daniel, CPA

Lexye Schell, CPA

B.G. Wolfe, CPA

Renda Armstrong, CPA

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

The Honorable Mayor and City Council  
City of Butler, Missouri

We have audited the financial statements of the City of Butler, Missouri as of and for the year ended March 31, 2009, and have issued our report thereon dated July 31, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Butler, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Butler, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Butler, Missouri's internal control over financial reporting.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did identify a deficiency in internal control over financial reporting that we consider to be a significant deficiency, as defined above, which is described in the accompanying Schedule of Findings and Responses as item 09-01.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Butler, 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 that would be required to be reported under *Government Auditing Standards*.

The City's written response to the significant deficiencies and material weaknesses and other matters identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to the management of the City of Butler, Missouri in a separate letter dated July 31, 2009.

This report is intended solely for the information and use of the management and the City Council and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*DSWA Certified Public Accountants, PC.*

Butler, Missouri  
July 31, 2009

CITY OF BUTLER, MISSOURI

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED MARCH 31, 2009

FINANCIAL STATEMENT FINDINGS

09-01 Lack of Adequate Segregation of Duties

*Condition:* The functions of receipting, depositing, and recording monies are sometimes performed by the same person. Controls are weakened when one person is responsible for the above functions.

*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 could 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:* Although secondary controls exist through the oversight from the council, efforts should continue to further strengthen controls in this area.

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

CITY OF BUTLER, MISSOURI

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

FOR THE YEAR ENDED MARCH 31, 2009

FINANCIAL STATEMENT FINDINGS

**08-01 Lack of Adequate 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.

CITY OF BUTLER, MISSOURI

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

FOR THE YEAR ENDED MARCH 31, 2009

FINANCIAL STATEMENT FINDINGS

**08-02 Application of accounting principles generally accepted in the United States of America**

*Condition:* The City has an accounting system and personnel in place to perform all basic accounting functions necessary to maintain a general ledger and prepare internal use statements for management and the City Council for the day-to-day operations of the City. However, the City does not have accounting professionals with the knowledge, experience, and training needed to properly apply accounting principles generally accepted in the United States of America. This condition is found in the majority of smaller entities.

*Criteria:* The City should have an accounting system that will ensure that accounting principles generally accepted in the United States of America are properly applied.

*Effect:* Audit adjustments were proposed to management to correct misstatements in order to ensure that the accounting principles generally accepted in the United States of America were properly applied.

*Recommendation:* We realize due to limited resources, the City may not be able to employ or contract accounting professionals with the combination of knowledge, experience, and training necessary to properly apply accounting principles generally accepted in the United States of America. However, our professional standards require that we bring this to your attention in this report.

*Response:* Due to limited resources, the City does not have the ability to employ accounting professionals with the combination of knowledge, experience, and training needed to properly apply accounting principles generally accepted in the United States of America.

CITY OF BUTLER, MISSOURI

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

FOR THE YEAR ENDED MARCH 31, 2009

FINANCIAL STATEMENT FINDINGS

**08-03 Design of internal control system for preparation of basic financial statements**

*Condition:* The City has personnel in place to perform all bookkeeping functions necessary to maintain a general ledger and prepare internal use statements for management. However, the City does not have accounting professionals with the knowledge, experience, and training to prepare governmental financial statements in conformity with Governmental Accounting Standards as part of their internal control system.

*Criteria:* A properly designed system of internal control, which includes preparation of financial statements in conformity with Governmental Accounting Standards, including having accounting professionals as part of the system to perform that function.

*Effect:* The City employs the auditors that perform the annual audit of the financial statements to prepare the annual financial statements.

*Recommendation:* We recognize that the City may not have the resources to have an accounting professional with the knowledge, experience, and training to prepare governmental financial statements in conformity with Governmental Accounting Standards. However, we recommend that management continue to increase their knowledge of financial reporting.

*Response:* The City does not have the resources to hire additional accounting personnel with the knowledge, experience, and training solely to prepare governmental financial statements in conformity with Governmental Accounting Standards. The City does have personnel with sufficient knowledge to understand and take responsibility for the basic financial statements.

CITY OF BUTLER, MISSOURI

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

FOR THE YEAR ENDED MARCH 31, 2009

FINANCIAL STATEMENT FINDINGS

08-04 Reconciliation of court fines receivable

*Condition:* The court fines receivable listing is not reconciled to the general ledger on a monthly basis and has not been reconciled against individual court files.

*Criteria:* The court fines receivable should be reconciled on a monthly basis to ensure court fines are properly recorded on the general ledger.

*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.

*Recommendation:* The City should establish procedures and policies to ensure the court fines receivable listing is reconciled to the general ledger and individual court files on a monthly basis.

*Response:* The City is working with the City's attorney to establish procedures to reconcile the court fines receivable listing on a monthly basis.



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**INDEPENDENT AUDITORS' REPORT ON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the The Honorable Mayor and Board of Aldermen  
City of Butler, Missouri

We have audited the basic financial statements of the City of Butler, Missouri as of and for the year ended March 31, 2009, and have issued our report thereon dated July 31, 2009. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*DSWA Certified Public Accountants, P.C.*  
Butler, Missouri  
July 31, 2009

CITY OF BUTLER, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED MARCH 31, 2009

<u>Program</u>	<u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
<b>CASH FEDERAL AWARDS</b>		
<b><u>Department of Transportation</u></b>		
Passed through Missouri Department of Transportation		
Airport Improvement Program Grant	20.106	\$ 566,118
Highway Planning and Construction	20.205	4,594
<b><u>Department of Homeland Security</u></b>		
Passed through Missouri Department of Public Safety		
Police Grant	97.054	630
Passed through Missouri Department of State Emergency Management Agency		
FEMA-Public Assistance Grants	97.036	4,288
Total Federal Awards		<u>\$ 575,630</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- A. Purpose of Schedule and Reporting Entity: The accompanying Schedule of Expenditures of Federal Awards of the City of Butler, Missouri has been prepared to comply with U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The circular requires a schedule of expenditures of federal awards showing total expenditures for each federal financial assistance program as identified in the catalog of federal domestic assistance and identification of federal financial assistance programs which have not been assigned a CFDA number.

The accompanying schedule includes all federal financial assistance programs administered by the City of Butler, Missouri.

- B. Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

The schedule presents both Type A and B federal assistance programs administered by the City. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the City, Type A programs are those which exceed \$300,000 in disbursements, expenditures, or distributions. The determination of major and nonmajor programs is based on the risk-based approach outlined in OMB Circular A-133.

- C. Basis of Accounting: Except as noted in Note 2, the expenditures for each of the federal financial assistance programs are presented on the modified cash basis which recognizes expenditures of federal awards when the related expenditure is paid.

John G. Daniel, CPA

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To The Honorable Mayor and City Council  
City of Butler, Missouri

Compliance

We have audited the compliance of the City of Butler, Missouri with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2009. The City of Butler, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Butler, Missouri's management. Our responsibility is to express an opinion on the City of Butler, Missouri's compliance based on our audit.

We conducted our audit in accordance with generally accepted auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Butler, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Butler, Missouri's compliance with those requirements.

In our opinion, the City of Butler, Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2009.

## Internal Control Over Compliance

The management of the City of Butler, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely effects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the finance committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*DSWA Certified Public Accountants, PC.*

Butler, Missouri  
July 31, 2009

CITY OF BUTLER, MISSOURI

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED MARCH 31, 2009

SUMMARY OF AUDITORS' RESULTS

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? Yes \_\_\_ No X

Significant Deficiencies identified not considered to be material weaknesses? Yes X None reported \_\_\_

Noncompliance material to financial statements noted? Yes \_\_\_ No X

**Federal Awards**

Internal control over programs:

Material weaknesses identified? Yes \_\_\_ No X

Reportable conditions identified not considered to be material weaknesses? Yes \_\_\_ None reported X

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? Yes \_\_\_ No X

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20. 106	Airport Improvement Program Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low risk auditee? Yes \_\_\_ No X

CITY OF BUTLER, MISSOURI

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED MARCH 31, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.