

CITY OF BUTLER, MISSOURI

**AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
MARCH 31, 2011**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

**DSWA CERTIFIED PUBLIC ACCOUNTANTS
112 NORTH MADISON
RAYMORE, MISSOURI 64083**

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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 and each major fund of the City of Butler, Missouri as of and for the year ended March 31, 2011 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Butler, Missouri at March 31, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2011 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge with obtained during our audit of the basic financial statements. Although our opinions on the basic financial statements are not affected, the following material departures from the prescribed guidelines exist. The City of Butler, Missouri has presented management's discussion and analysis omitting the requirements of describing the basic financial statements, providing condensed government-wide financial information, analyzing overall financial position and results of operations for the governmental activities and business-type activities, discussing significant transactions and changes in individual funds, discussing what happened within the general fund budget during the year, and describing capital asset and long-term debt activity during the year. We do not express an opinion or provide any assurance on the information.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Butler, Missouri's financial statements. The accompanying other supplementary data on 29 through 35 are presented for purposes of additional analysis and are not a required part of the financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

DBWA Certified Public Accountants, PA.

Raymore, Missouri
July 18, 2011

**MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)
CITY OF BUTLER, MO
MARCH 31, 2011**

Economic Factor's and Next Year's Budget

The local economy in Butler is still slowly recovering. There has not been any growth in the City's sales tax or other General Fund revenues over the past year. The City Council approved an increase to the City electric rates which took effect on the customer bills that were due on February 1, 2011. These increases were based on a cost of service electric rate study that was conducted in 2010 by the engineering firm, Allgeier, Martin and Associates.

A new larger Wal-Mart store is being built to replace the current store and is scheduled for completion by the end of 2011. The City also had (19) new homes built in the Park West Estates subdivision this past year by Affordable Homes out of Springfield, Missouri. These were constructed under the State of Missouri Tax Credit Program that requires you to be income qualified before you can rent the homes. Other construction activity has been limited to remodeling and maintenance projects.

New Environmental Protection Agency regulations have been passed that require the City to install additional air quality equipment on the generators at the power plant to reduce emissions by May 3, 2013. If this equipment is not installed then the power plant will have to be shut down and not able to operate except in an emergency situation. The City is currently gathering information as to the options for installing this equipment and the associated costs so that a decision can be made. It is estimated that this equipment will cost \$400,000 to \$450,000.

The City is also working with a developer who is proposing to install a Solar Farm in the Butler Industrial Park. The electricity from this installation would be sold to MoPEP the power supplier for the City under a (20) year contract. The City will be selling approximately (13) acres of property to the developer for the installation of the Solar Farm. The developer has also requested tax abatement from the City on the Solar Farm installation and the City Council is considering their request.

The City Wastewater Treatment Plant was issued its new discharge permit in March of 2010 and will have to meet new discharge requirements imposed by the Missouri Department of Natural Resources and the Environmental Protection Agency by March of 2013. This will require the installation of additional equipment at this facility. Improvements also need to be made in the sewer collection system to reduce Inflow and Infiltration (I&I). These improvements will need to be financed and will require an increase in sewer user rates that are charged to the City utility customers. Estimated cost for these improvements is \$1,000,000 which will require long term financing.

The FY 2011-2012 Budget includes completion of the Butler Historic Square Project at an estimated cost of \$425,000 with a MoDOT/Federal grant funds paying 79% of the costs and the City paying 21% of the costs. This project went through design changes as a result of requirements from the State Historic Preservation Office so this has delayed the completion of the project.

The Airport will be completing a project for micro sealing of the taxi lanes and apron areas at an estimated cost of \$237,000 with a MoDOT/Federal grant funds paying 95% of the costs and the City paying 5% of the costs.

The City Council approved a Five Year Capital Improvement Plan with the FY 2011-2012 Budget to identify City needs over a five year period for equipment and projects and because of reduced revenues projected projects and equipment purchases are greatly reduced for the next budget year. By updating this plan on an annual basis it will help with the preparation of future budgets and meeting these needs.

The new budget provides for employee wages to be increased by 2%. With the federal government passing health care reform the City will fall under these regulations in the future. The City requested proposals for the health/dental/vision insurance plans for the employees and accepted the proposal from Blue Cross and Blue Shield of Kansas City and VSP to take effect on July 1, 2011. By changing to these new plans the City reduced its cost by approximately 12%.

Ongoing maintenance, repairs and improvements will be continued for street, storm water, parks/recreation, water, sewer and the electric systems. Other operational costs for the budget year remain flat and were reduced wherever possible.

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

Mark Arbuthnot, City Administrator
marbuthnot_cob@earthlink.net

Casey Koehn, City Clerk
ckoehn_cob@earthlink.net

City Officials

CITY OF BUTLER, MISSOURI
STATEMENT OF ACTIVITIES
MARCH 31, 2011

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Administrative	\$ 488,812	\$ 55,462	\$ 26,636	\$ -	\$ (406,714)	\$ -	\$ (406,714)
Airport	115,012	22,995	51,373	-	(40,644)	-	(40,644)
Cemetery	123,640	53,130	-	-	(70,510)	-	(70,510)
Code enforcement	1,395	-	-	-	(1,395)	-	(1,395)
Community development	113,604	-	-	-	(113,604)	-	(113,604)
Court	121,655	14,037	-	-	(107,618)	-	(107,618)
Emergency management	8,038	7,671	-	-	(367)	-	(367)
Fire	271,089	10,073	-	-	(261,016)	-	(261,016)
Industrial park	1,549	-	-	-	(1,549)	-	(1,549)
Parks	296,444	-	-	-	(296,444)	-	(296,444)
Police	954,889	126,560	-	-	(828,329)	-	(828,329)
Recreation and aquatics	182,264	73,393	-	-	(108,871)	-	(108,871)
Shop	60,481	-	-	-	(60,481)	-	(60,481)
Street	584,707	-	7,528	-	(577,179)	-	(577,179)
Debt service	121,485	-	-	-	(121,485)	-	(121,485)
TOTAL GOVERNMENTAL ACTIVITIES	3,445,064	363,321	85,537	-	(2,996,206)	-	(2,996,206)
Business-type activities:							
Utilities	7,373,015	6,866,900	-	-	-	(506,115)	(506,115)
TOTAL BUSINESS-TYPE ACTIVITIES	7,373,015	6,866,900	-	-	-	(506,115)	(506,115)
TOTAL GOVERNMENT	\$ 10,818,079	\$ 7,230,221	\$ 85,537	\$ -	(2,996,206)	(506,115)	(3,502,321)

General Revenues:

Taxes:			
Ad valorem taxes	239,841	-	239,841
Sales taxes	1,231,548	-	1,231,548
Franchise taxes	254,310	-	254,310
Motor vehicle and gas taxes	175,591	-	175,591
Payment in lieu of tax	625,051	-	625,051
Other taxes	50,486	-	50,486
Investment earnings	8,557	159,732	168,289
Miscellaneous	26,827	14,994	41,821
Transfers:	(17,005)	17,005	-
Total general revenues and transfers	2,595,206	191,731	2,786,937
Change in net assets	(401,000)	(314,384)	(715,384)
Net assets-beginning	5,036,424	9,058,870	14,095,294
Net assets-ending	\$ 4,635,424	\$ 8,744,486	\$ 13,379,910

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

**CITY OF BUTLER, MISSOURI
STATEMENT OF NET ASSETS
MARCH 31, 2011**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,110,170	\$ 386,041	\$ 1,496,211
Accrued interest receivable	6,367	-	6,367
Accounts and taxes receivable, net	316,411	489,150	805,561
Inventory	72,697	696,681	769,378
Prepaid payroll	48,974	24,018	72,992
Prepaid insurance	-	20,798	20,798
Total current assets	<u>1,554,619</u>	<u>1,616,688</u>	<u>3,171,307</u>
Noncurrent assets:			
Restricted cash and cash equivalents	117	3,272,599	3,272,716
Due from other funds	-	295,000	295,000
Unamortized bond and capital lease costs, net	83,305	136,716	220,021
Capital assets:			
Land and easements	766,311	119,145	885,456
Buildings	4,224,134	1,601,332	5,825,466
Equipment and vehicles	1,718,937	5,292,699	7,011,636
Construction in progress	-	18,446	18,446
Infrastructure	2,269,860	16,008,084	18,277,944
Accumulated depreciation	<u>(3,199,525)</u>	<u>(9,941,533)</u>	<u>(13,141,058)</u>
Total noncurrent assets	<u>5,863,139</u>	<u>16,802,488</u>	<u>22,665,627</u>
Total assets	<u>7,417,758</u>	<u>18,419,176</u>	<u>25,836,934</u>
LIABILITIES			
Current liabilities:			
Accounts payable	185,590	191,910	377,500
Accrued liabilities	1,817	49,435	51,252
Service deposits payable	-	158,060	158,060
Current portion of long-term obligations	<u>230,492</u>	<u>448,000</u>	<u>678,492</u>
Total current liabilities	<u>417,899</u>	<u>847,405</u>	<u>1,265,304</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	2,021,249	8,804,032	10,825,281
Due to other funds	295,000	-	295,000
Compensated absences	<u>48,186</u>	<u>23,253</u>	<u>71,439</u>
Total noncurrent liabilities	<u>2,364,435</u>	<u>8,827,285</u>	<u>11,191,720</u>
Total liabilities	<u>2,782,334</u>	<u>9,674,690</u>	<u>12,457,024</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,527,976	3,893,916	7,421,892
Restricted for:			
Restricted cash	117	-	117
Other purposes	321,209	-	321,209
Unrestricted (deficit)	<u>786,122</u>	<u>4,850,570</u>	<u>5,636,692</u>
Total net assets	<u>\$ 4,635,424</u>	<u>\$ 8,744,486</u>	<u>\$ 13,379,910</u>

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

**CITY OF BUTLER, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2011**

	General Fund	Transportation Tax Fund	Park Fund	Fire Protection Tax Fund	Airport Fund	Capital Projects Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 702,797	\$ 265,135	\$ 116,490	\$ 14,466	\$ 11,399	\$ -	\$ 1,110,287
Accrued interest receivable	6,367	-	-	-	-	-	6,367
Accounts and taxes receivable, net	217,307	44,162	44,157	10,785	-	-	316,411
Prepaid payroll	45,876	3,098	-	-	-	-	48,974
Inventory	72,697	-	-	-	-	-	72,697
Total assets	<u>\$ 1,045,044</u>	<u>\$ 312,395</u>	<u>\$ 160,647</u>	<u>\$ 25,251</u>	<u>\$ 11,399</u>	<u>\$ -</u>	<u>\$ 1,554,736</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 95,522	\$ 13,722	\$ -	\$ -	\$ 1,580	\$ -	\$ 110,824
Due to other funds	295,000	-	-	-	-	-	295,000
Accrued liabilities	124,769	-	-	-	-	-	124,769
Total liabilities	<u>515,291</u>	<u>13,722</u>	<u>-</u>	<u>-</u>	<u>1,580</u>	<u>-</u>	<u>530,593</u>
Fund balances:							
Reserved for:							
Other purposes	321,209	-	-	-	-	-	321,209
Unreserved, reported in:							
General fund	208,544	-	-	-	-	-	208,544
Special revenue funds	-	298,673	160,647	25,251	9,819	-	494,390
Total fund balances	<u>529,753</u>	<u>298,673</u>	<u>160,647</u>	<u>25,251</u>	<u>9,819</u>	<u>-</u>	<u>1,024,143</u>
Total liabilities and fund balances	<u>\$ 1,045,044</u>	<u>\$ 312,395</u>	<u>\$ 160,647</u>	<u>\$ 25,251</u>	<u>\$ 11,399</u>	<u>\$ -</u>	<u>\$ -</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. 5,779,716
The cost of the assets is \$8,979,241 and the accumulated depreciation is \$3,199,525.

Bond issue costs are reported as expenditures in the governmental funds. The cost is \$89,043 and accumulated amortization is \$5,738. 83,305

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. (2,251,740)

Total net assets - governmental activities \$ 4,635,424

CITY OF BUTLER, MISSOURI
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2011

	Transportation		Fire Protection		Airport Fund	Capital Projects Fund	Total Governmental Funds
	General Fund	Tax Fund	Park Fund	Tax Fund			
REVENUES							
Property taxes	\$ 234,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 234,761
Franchise taxes	254,310	-	-	-	-	-	254,310
Sales taxes	579,571	289,785	289,784	72,408	-	-	1,231,548
Other taxes	856,208	-	-	-	-	-	856,208
Fines, forfeitures, and penalties	141,863	-	-	-	-	-	141,863
Licenses and permits	18,868	-	-	-	-	-	18,868
Federal and state grants	78,617	-	-	-	-	-	78,617
Donations received	10,285	-	-	-	-	-	10,285
Charges for goods & services	168,135	-	-	-	-	-	168,135
Rental revenue	7,214	-	-	-	22,995	-	30,209
Investment earnings	7,949	228	228	152	-	-	8,557
Miscellaneous	31,585	-	-	-	-	-	31,585
Total revenues	<u>2,389,366</u>	<u>290,013</u>	<u>290,012</u>	<u>72,560</u>	<u>22,995</u>	<u>-</u>	<u>3,064,946</u>
EXPENDITURES							
Current							
Administrative	484,874	-	-	-	-	-	484,874
Airport	59,273	-	-	-	17,542	-	76,815
Cemetery	118,801	-	-	-	-	-	118,801
Code enforcement	1,395	-	-	-	-	-	1,395
Community development	3,786	-	-	-	-	-	3,786
Court	121,655	-	-	-	-	-	121,655
Emergency management	3,441	-	-	-	-	-	3,441
Fire	223,267	-	-	73,702	-	-	296,969
Industrial park	1,549	-	-	-	-	-	1,549
Parks	207,519	-	10,668	-	-	-	218,187
Police	930,086	-	-	-	-	-	930,086
Recreation and aquatics	182,264	-	-	-	-	-	182,264
Shop	59,714	-	-	-	-	-	59,714
Street	-	540,678	-	-	-	-	540,678
Debt Service							
Principal and interest	-	-	2,776,534	-	-	-	2,776,534
Total expenditures	<u>2,397,624</u>	<u>540,678</u>	<u>2,787,202</u>	<u>73,702</u>	<u>17,542</u>	<u>-</u>	<u>5,816,748</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,258)</u>	<u>(250,665)</u>	<u>(2,497,190)</u>	<u>(1,142)</u>	<u>5,453</u>	<u>-</u>	<u>(2,751,802)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from long-term debt	-	-	2,295,000	-	-	-	2,295,000
Debt issuance cost	-	-	(89,043)	-	-	-	(89,043)
Transfers in	93,382	2,472	-	-	-	-	95,854
Transfers out	(19,477)	-	(93,382)	-	-	-	(112,859)
Total other financing sources (uses)	<u>73,905</u>	<u>2,472</u>	<u>2,112,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,188,952</u>
Net change in fund balances	65,647	(248,193)	(384,615)	(1,142)	5,453	-	(562,850)
Fund balance - beginning	464,106	546,866	545,262	26,393	4,366	-	1,586,993
Fund balances - ending	<u>\$ 529,753</u>	<u>\$ 298,673</u>	<u>\$ 160,647</u>	<u>\$ 25,251</u>	<u>\$ 9,819</u>	<u>\$ -</u>	<u>\$ 1,024,143</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, 2011

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

Net change in fund balances - Total governmental funds **\$ (562,850)**

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.

Capital outlays	\$ 6,920	
Land contributed for low income housing development	(109,818)	
Depreciation expense	<u>(254,793)</u>	
		(357,691)

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>2,731,236</u>	
		2,731,236

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. The net effect of this difference in the treatment of general obligation bonds and related items is as follows:

Long-term debt issuance proceeds	(2,295,000)	
Debt issuance costs	89,043	
Amortization of debt issuance costs	<u>(5,738)</u>	
		(2,211,695)

Increase in prepaid payroll

Change in net assets of governmental activities **\$ (401,000)**

**CITY OF BUTLER, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2011**

	Business-Type Activities - Enterprise Funds
	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 386,041
Utilities receivable, net	489,150
Inventory	696,681
Prepaid payroll	24,018
Prepaid insurance	20,798
Total current assets	1,616,688
Noncurrent assets:	
Restricted cash and cash equivalents	3,272,599
Due from other funds	295,000
Unamortized bond and capital lease costs, net	136,716
Capital assets:	
Land and easements	119,145
Buildings	1,601,332
Equipment and vehicles	5,292,699
Construction in progress	18,446
Infrastructure	16,008,084
Accumulated depreciation	(9,941,533)
Total noncurrent assets	16,802,488
Total assets	18,419,176
LIABILITIES	
Current liabilities:	
Accounts payable	191,910
Accrued expenses	49,435
Service deposits payable	158,060
Current portion of long-term obligations	448,000
Total current liabilities	847,405
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	8,804,032
Compensated absences	23,253
Total noncurrent liabilities	8,827,285
Total liabilities	9,674,690
NET ASSETS	
Invested in capital assets, net of related debt	3,893,916
Unrestricted (deficit)	4,850,570
Total net assets	\$ 8,744,486

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, 2011

	Business-Type Activities - Enterprise Funds
	Utility Fund
OPERATING REVENUES	
Charges for services	\$ 6,770,324
Penalty and fees	86,202
Miscellaneous	25,365
Total operating revenues	6,881,891
OPERATING EXPENSES	
Salaries and wages	781,601
Employee benefits	245,934
Materials and supplies	256,691
Chemicals and lab supplies	114,967
Engineering	55,785
Gas and oil	29,600
Power purchased	3,524,642
General and administrative	26,439
Repairs and maintenance	101,480
Telephone and utilities	219,381
Sanitation	253,578
Insurance	108,903
Travel, meetings and dues	8,062
Professional services	63,612
Depreciation	637,372
Payment in lieu of tax	596,702
Miscellaneous	26,896
Total operating expenses	7,051,645
Income (loss) from operations	(169,754)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	159,732
Interest expense	(321,370)
Total non-operating revenues (expenses)	(161,638)
Income (loss) before operating transfers	(331,392)
OTHER FINANCING SOURCES (USES):	
Transfers out	
Total other financing sources (uses)	17,005
CHANGE IN NET ASSETS	(314,387)
TOTAL NET ASSETS, BEGINNING	9,058,873
TOTAL NET ASSETS, ENDING	\$ 8,744,486

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, 2011**

	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 6,832,228
Payments to suppliers	(5,608,864)
Payments to employees	(805,619)
Net cash provided (used) by operations	417,745
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Operating transfers in/(out)	17,005
Decrease in restricted cash	167,032
Increase in restricted cash/meter deposits	(9,409)
Net cash provided (used) by non-capital financing activities	174,628
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Payments on long-term obligations	(622,602)
Interest paid on long-term obligations	(321,370)
Cash paid for construction in progress	(18,446)
Purchase of fixed assets	(9,166)
Net cash provided (used) by capital financing activities	(971,584)
CASH FLOWS FROM CAPITAL INVESTING ACTIVITIES	
Interest income	159,732
Net cash provided (used) by investing activities	159,732
NET INCREASE (DECREASE) IN CASH	(219,479)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	605,520
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 386,041
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Net income (loss) from operations	\$ (169,754)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation and amortization	637,372
Increase (decrease) in accounts payable and accrued expenses	14,396
Increase (decrease) in meter deposits	9,412
(Increase) decrease in prepaid payroll	(24,018)
Decrease (increase) in receivables	(49,663)
Net cash provided (used) by operations	\$ 417,745

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, 2011.

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.

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)

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 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.

CITY OF BUTLER, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

B. BASIS OF PRESENTATION (continued)

2. Fund Financial Statements (continued)

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

3. Major Funds

The funds are further classified as major, as follows:

<u>Major Funds:</u>	<u>Brief Description</u>
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.

CITY OF BUTLER, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

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.

CITY OF BUTLER, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. BASIS OF ACCOUNTING (continued)

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.

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.

CITY OF BUTLER, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 is valued at cost using the first in, first out (FIFO) method. The proprietary fund and governmental fund inventories consists primarily of material, supplies and fuel.

H. INTERFUND TRANSACTIONS AND BALANCES

During the course of normal operations, the City transfers revenues between funds for various reasons, including (1) transfers of revenues from a fund that a statute or the budget requires to collect them to the fund that a statute or the budget requires to expend them, (2) transfers of resources for the construction of assets, and (3) transfers of charges for utility or other services to City departments. Legally authorized transfers that are not intended to be repaid are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds. Nonrecurring or nonroutine permanent transfers of equity are reported as equity transfers. Short-term amounts owed between funds are classified as "Due to/from other funds."

CITY OF BUTLER, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

I. 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

J. 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.

K. 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):

L. 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 City had balances on deposit with banks \$1,657,424. Of this balance, \$250,000 was insured through federal deposit insurance and \$1,035,740 was collateralized with securities held by the pledging financial institution or its agent, and the remaining \$371,684 was secured by a letter of credit held by the bank. The total market value of securities pledged for collateral at March 31, 2011 equaled \$1,035,740. At March 31, 2011 all deposits in excess of federal deposit insurance were fully secured.

CITY OF BUTLER, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS:

The capital assets of the proprietary funds at March 31, 2011 are as follows:

	Balance March 31, 2010	Additions	Retirements	Balance March 31, 2011
Utility Fund				
Land	\$ 119,145	-	-	\$ 119,145
Construction in progress	-	18,446	-	18,446
Furniture and equipment	4,604,513	9,166	-	4,613,679
Heavy equipment	366,595	-	-	366,595
Buildings	1,601,332	-	-	1,601,332
Vehicles	312,425	-	-	312,425
Infrastructure	16,008,084	-	-	16,008,084
Total	23,012,094	27,612	-	23,039,706
Accumulated depreciation				
Utility Fund	(9,304,161)	(637,372)	-	(9,941,533)
Net fixed assets	<u>\$ 13,707,933</u>	<u>\$ (609,760)</u>	<u>\$ -</u>	<u>\$ 13,098,173</u>

Included in the amount above is capital assets of \$3,095,641 purchased under capital leases.

CITY OF BUTLER, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS (continued):

The capital assets of the governmental funds at March 31, 2011 are as follows:

	Balance March 31, 2010	Additions	Retirements	Balance March 31, 2011
General Fund				
Land	\$ 448,629	-	(109,818)	\$ 338,811
Buildings and land improvements	4,103,110	-	-	4,103,110
Furniture and equipment	1,691,017	6,920	-	1,697,937
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>9,082,140</u>	<u>6,920</u>	<u>(109,818)</u>	<u>8,979,242</u>
Accumulated depreciation				
General Fund	(2,071,201)	(216,595)	-	(2,287,796)
Airport Fund	<u>(873,532)</u>	<u>(38,197)</u>	-	<u>(911,729)</u>
Total	<u>(2,944,733)</u>	<u>(254,792)</u>	-	<u>(3,199,525)</u>
Net fixed assets	<u>\$ 6,137,407</u>	<u>\$ (247,872)</u>	<u>\$ (109,818)</u>	<u>\$ 5,779,717</u>

Included in the amount above is capital assets of \$1,972,690 purchased under a capital lease.

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		\$ 303,820
Sewer		139,865
Electric		193,687
		<u>\$ 637,372</u>
Governmental activities:		
Administration		\$ 10,857
Airport		38,197
Cemetery		2,552
Emergency management		4,597
Fire		40,065
Parks		88,925
Police		24,803
Shop		767
Street		44,029
		<u>\$ 254,792</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, 2011:

	Balance March 31, 2010	Additions	(Reductions)	Balance March 31, 2011
<u>Governmental Type Activities</u>				
Capital Lease obligations	\$ 2,687,686	\$ 2,295,000	\$ (2,690,945)	\$ 2,291,741
Compensated absences,	48,186	-	-	48,186
Total	<u>\$ 2,735,872</u>	<u>\$ 2,295,000</u>	<u>\$ (2,690,945)</u>	<u>\$ 2,339,927</u>
<u>Business -Type Activities</u>				
Capital Lease obligations	\$ 1,083,000	\$ -	\$ (84,000)	\$ 999,000
Revenue bonds payable	8,791,630	-	(538,597)	8,253,033
Compensated Absences	23,253	-	-	23,253
Total	<u>\$ 9,897,883</u>	<u>\$ -</u>	<u>\$ (622,597)</u>	<u>\$ 9,275,286</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. The issue was refunded during the fiscal year ended March 31, 2011.

\$ -

The City issued \$2,295,000 Refunding Certificates of Participation, Series 2010 (Aquatic Center) to currently refund the Certificates of Participation, Series 2002, which were issued to fund the construction of the Aquatic Center. The certificates bear interest ranging from 1.75% to 4.0% per annum, payable semi-annually on March 1 and September 1, with principal payable March 1. Final maturity is on March 1, 2022. Bond issue costs of \$89,043 were incurred and will be amortized over the life of the issue.

2,140,000

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.

111,741

Total Capital Leases

\$ 2,251,741

CITY OF BUTLER, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. LONG-TERM OBGLIGATIONS (continued):

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

Year ending March 31,	Principal	Interest	Total
2012	\$ 234,492	\$ 73,890	\$ 308,382
2013	212,249	67,122	279,371
2014	175,000	62,563	237,563
2015	180,000	58,187	238,187
2016	185,000	53,238	238,238
2017 - 2021	1,030,000	169,287	1,199,287
2022	235,000	9,400	244,400
	<u>\$ 2,251,741</u>	<u>\$ 493,687</u>	<u>\$ 2,745,428</u>

Business Type Activities:

Capital Lease

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

\$ 999,000

Total Capital Lease

\$ 999,000

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

Year ending March 31,	Principal	Interest	Total
2012	\$ 88,000	\$ 46,803	\$ 134,803
2013	96,000	42,391	138,391
2014	96,000	42,872	138,872
2015	102,000	33,283	135,283
2016	108,000	28,276	136,276
2017 - 2021	509,000	60,341	569,341
	<u>\$ 999,000</u>	<u>\$ 253,966</u>	<u>\$ 1,252,966</u>

CITY OF BUTLER, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. LONG-TERM OBGLIGATIONS (continued):

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. \$ 2,135,000

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. 3,330,000

Total	5,465,000
Unamortized premium on bonds	<u>197,699</u>
Carrying value of revenue bonds	<u><u>\$ 5,662,699</u></u>

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, 2011.

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.

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>
2012	\$ 360,000	\$ 274,206	\$ 634,206
2013	380,000	256,793	636,793
2014	400,000	253,831	653,831
2015	425,000	213,659	638,659
2016	445,000	190,278	635,278
2017 - 2021	2,615,000	559,166	3,174,166
2022 - 2023	840,000	32,750	872,750
	<u>\$ 5,465,000</u>	<u>\$ 1,780,683</u>	<u>\$ 7,245,683</u>

CITY OF BUTLER, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. LONG-TERM OBLIGATIONS (continued):

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	\$ 1,419,842
Series 2001B Drinking Water Project	<u>1,170,492</u>
	<u>\$ 2,590,334</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, 2010, is computed as follows:

2010 assessed valuation	<u>\$ 40,378,043</u>
Article VI, Section 26 (b) and (c)– 10%	4,037,804
Article VI, Section 26 (d) and (e)– 10%	<u>4,037,804</u>
Constitutional debt limit	8,075,608
General obligation debt	<u>-0-</u>
Legal debt margin	<u>\$ 8,075,608</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, 2010 was \$191,703 based on contributions of 8.8% of general wages, 10.4% of police wages and 11.5% 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.

7. POST EMPLOYMENT BENEFITS:

The City has no legal or contractual requirements in providing benefits to former employees of the City.

CITY OF BUTLER, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2011

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	Positive
						(Negative)
REVENUES						
Taxes						
Ad valorem taxes	\$ 244,500	\$ 244,500	\$ 234,761	\$ -	\$ 234,761	\$ (9,739)
Payment-in-lieu of tax	615,000	615,000	625,051	-	625,051	10,051
Sales tax	625,000	625,000	579,571	-	579,571	(45,429)
State motor fuel tax	188,000	188,000	175,591	-	175,591	(12,409)
Franchise taxes	250,000	250,000	254,310	(21,469)	232,841	(17,159)
Railroad and utility taxes	2,500	2,500	2,335	-	2,335	(165)
Financial institution tax	500	500	-	-	-	(500)
Telecommunications tax	-	-	19,023	-	19,023	19,023
Other taxes	23,250	23,250	34,208	-	34,208	10,958
	<u>1,948,750</u>	<u>1,948,750</u>	<u>1,924,850</u>	<u>(21,469)</u>	<u>1,903,381</u>	<u>(45,369)</u>
Licenses and Permits						
Business licenses	8,500	8,500	9,063	-	9,063	563
Other	5,500	5,500	9,805	-	9,805	4,305
	<u>14,000</u>	<u>14,000</u>	<u>18,868</u>	<u>-</u>	<u>18,868</u>	<u>4,868</u>
Intergovernmental Revenues						
Federal	544,000	544,000	67,409	-	67,409	(476,591)
State	50,000	50,000	11,208	-	11,208	(38,792)
	<u>594,000</u>	<u>594,000</u>	<u>78,617</u>	<u>-</u>	<u>78,617</u>	<u>(515,383)</u>
Charges for Services						
Cemetery	47,000	47,000	53,130	-	53,130	6,130
Fire	10,500	10,500	10,073	-	10,073	(427)
Recreation and aquatics	78,100	78,100	73,393	-	73,393	(4,707)
Emergency management	34,775	34,775	29,974	-	29,974	(4,801)
Rental income	1,500	1,500	7,214	-	7,214	5,714
Fines and forfeitures	185,050	185,050	141,863	-	141,863	(43,187)
Other	2,000	2,000	1,565	-	1,565	(435)
	<u>358,925</u>	<u>358,925</u>	<u>317,212</u>	<u>-</u>	<u>317,212</u>	<u>(41,713)</u>
Miscellaneous						
Interest	12,500	12,500	7,949	-	7,949	(4,551)
Donations and other contributions	16,000	16,000	10,285	-	10,285	(5,715)
Sale of property	17,000	17,000	5,077	-	5,077	(11,923)
Other	152,523	152,523	26,508	(12,957)	13,551	(138,972)
	<u>198,023</u>	<u>198,023</u>	<u>49,819</u>	<u>(12,957)</u>	<u>36,862</u>	<u>(161,161)</u>
TOTAL REVENUES	<u>3,113,698</u>	<u>3,113,698</u>	<u>2,389,366</u>	<u>(34,426)</u>	<u>2,354,940</u>	<u>(758,758)</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 - GENERAL FUND
 FOR THE YEAR ENDED MARCH 31, 2011

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	Positive (Negative)
EXPENDITURES						
Current						
Administrative	806,179	806,179	484,874	(17,308)	467,566	(338,613)
Airport	237,000	237,000	59,273	-	59,273	(177,727)
Cemetery	129,394	129,394	118,801	(3,250)	115,551	(13,843)
Code enforcement	16,700	16,700	1,395	-	1,395	(15,305)
Community development	6,800	6,800	3,786	-	3,786	(3,014)
Court	153,934	153,934	121,655	(1,130)	120,525	(33,409)
Emergency management	8,100	8,100	3,441	-	3,441	(4,659)
Fire	271,609	271,609	223,267	(4,397)	218,870	(52,739)
Industrial park	3,300	3,300	1,549	-	1,549	(1,751)
Park maintenance	257,494	257,494	207,519	(4,349)	203,170	(54,324)
Police	1,006,151	1,006,151	930,086	(18,884)	911,202	(94,949)
Recreation and aquatics	196,793	196,793	182,264	(1,906)	180,358	(16,435)
Shop	70,353	70,353	59,714	(849)	58,865	(11,488)
TOTAL EXPENDITURES	3,163,807	3,163,807	2,397,624	(52,073)	2,345,551	(818,256)
EXCESS OF REVENUES OVER EXPENDITURES	(50,109)	(50,109)	(8,258)	17,647	9,389	59,498
OTHER FINANCING SOURCES (USES)						
Operating transfer in	-	-	93,382	(93,382)	-	-
Operating transfer out	-	-	(19,477)	19,477	-	-
Lease proceeds						
Lease issuance costs						
TOTAL OTHER FINANCING SOURCES (USES)	-	-	73,905	(73,905)	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USE)	(50,109)	(50,109)	65,647	(56,258)	9,389	59,498
FUND BALANCE, April 1	464,106	464,106	464,106	-	464,106	-
FUND BALANCE, March 31	<u>\$ 413,997</u>	<u>\$ 413,997</u>	<u>\$ 529,753</u>	<u>\$ (56,258)</u>	<u>\$ 473,495</u>	<u>\$ 59,498</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 - TRANSPORTATION TAX FUND
FOR THE YEAR ENDED MARCH 31, 2011

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
REVENUES						
Taxes						
Sales tax	\$ 300,000	\$ 300,000	\$ 289,785	\$ -	\$ 289,785	\$ (10,215)
Miscellaneous						
Interest	580	580	228	-	228	(352)
Other	10,000	10,000	-	-	-	(10,000)
TOTAL REVENUES	<u>310,580</u>	<u>310,580</u>	<u>290,013</u>	<u>-</u>	<u>290,013</u>	<u>(20,567)</u>
EXPENDITURES						
Current						
Street	767,055	767,055	540,678	(1,137)	539,541	(227,514)
TOTAL EXPENDITURES	<u>767,055</u>	<u>767,055</u>	<u>540,678</u>	<u>(1,137)</u>	<u>539,541</u>	<u>(227,514)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(456,475)</u>	<u>(456,475)</u>	<u>(250,665)</u>	<u>1,137</u>	<u>(249,528)</u>	<u>206,947</u>
OTHER FINANCING SOURCES (USES)						
Operating transfer in	-	-	2,472	(2,472)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>2,472</u>	<u>(2,472)</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USI	<u>(456,475)</u>	<u>(456,475)</u>	<u>(248,193)</u>	<u>(1,335)</u>	<u>(249,528)</u>	<u>206,947</u>
FUND BALANCE, April 1	546,866	546,866	546,866	-	546,866	-
FUND BALANCE, March 31	<u>\$ 90,391</u>	<u>\$ 90,391</u>	<u>\$ 298,673</u>	<u>\$ (1,335)</u>	<u>\$ 297,338</u>	<u>\$ 206,947</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, 2011

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
REVENUES						
Taxes						
Sales tax	\$ 300,000	\$ 300,000	\$ 289,784	\$ -	\$ 289,784	\$ (10,216)
Miscellaneous						
Interest	580	580	228	-	228	(352)
TOTAL REVENUES	<u>300,580</u>	<u>300,580</u>	<u>290,012</u>	<u>-</u>	<u>290,012</u>	<u>(10,568)</u>
EXPENDITURES						
Current						
Other operating expenditures	133,273	133,273	4,213	98,494	102,707	(30,566)
Miscellaneous expenditure	-	-	6,455	(6,455)	-	-
Debt Service						
Principal and interest	230,000	247,500	2,776,534	(2,510,000)	266,534	19,034
TOTAL EXPENDITURES	<u>363,273</u>	<u>380,773</u>	<u>2,787,202</u>	<u>(2,417,961)</u>	<u>369,241</u>	<u>(11,532)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(62,693)</u>	<u>(80,193)</u>	<u>(2,497,190)</u>	<u>2,417,961</u>	<u>(79,229)</u>	<u>964</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt	-	-	2,295,000	(2,289,888)	5,112	5,112
Debt issuance cost	-	-	(89,043)	89,043	-	-
Operating transfer out	-	-	(93,382)	93,382	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>2,112,575</u>	<u>(2,107,463)</u>	<u>5,112</u>	<u>5,112</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USE)	<u>(62,693)</u>	<u>(80,193)</u>	<u>(384,615)</u>	<u>310,498</u>	<u>(74,117)</u>	<u>6,076</u>
FUND BALANCE, April 1	<u>545,262</u>	<u>545,262</u>	<u>545,262</u>	<u>-</u>	<u>545,262</u>	<u>-</u>
FUND BALANCE, March 31	<u>\$ 482,569</u>	<u>\$ 465,069</u>	<u>\$ 160,647</u>	<u>\$ 310,498</u>	<u>\$ 471,145</u>	<u>\$ 6,076</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, 2011

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
REVENUES						
Charges for services						
Rental income	\$ 23,030	\$ 23,030	\$ 22,995	\$ -	\$ 22,995	\$ (35)
Miscellaneous						
Other	150	150	-	-	-	(150)
TOTAL REVENUES	<u>23,180</u>	<u>23,180</u>	<u>22,995</u>	<u>-</u>	<u>22,995</u>	<u>(185)</u>
EXPENDITURES						
Current						
Other operating expenditures	23,050	23,050	17,542	(1,817)	15,725	(7,325)
TOTAL EXPENDITURES	<u>23,050</u>	<u>23,050</u>	<u>17,542</u>	<u>(1,817)</u>	<u>15,725</u>	<u>(7,325)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>130</u>	<u>130</u>	<u>5,453</u>	<u>1,817</u>	<u>7,270</u>	<u>7,140</u>
FUND BALANCE, April 1	4,366	4,366	4,366	-	4,366	-
FUND BALANCE, March 31	<u>\$ 4,496</u>	<u>\$ 4,496</u>	<u>\$ 9,819</u>	<u>\$ 1,817</u>	<u>\$ 11,636</u>	<u>\$ 7,140</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 - FIRE PROTECTION TAX FUND
 FOR THE YEAR ENDED MARCH 31, 2011

	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	\$ 72,408	\$ -	\$ 72,408	\$ (2,592)
Miscellaneous						
Interest	116	116	152	-	152	36
TOTAL REVENUES	<u>75,116</u>	<u>75,116</u>	<u>72,560</u>	<u>-</u>	<u>72,560</u>	<u>(2,556)</u>
EXPENDITURES						
Current						
Fire	73,800	73,800	73,702	-	73,702	(98)
TOTAL EXPENDITURES	<u>73,800</u>	<u>73,800</u>	<u>73,702</u>	<u>-</u>	<u>73,702</u>	<u>(98)</u>
OTHER FINANCING SOURCES (USES)						
Principal payments on long-term det	-	-	73,702	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>73,702</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>1,316</u>	<u>1,316</u>	<u>(1,142)</u>	<u>-</u>	<u>(1,142)</u>	<u>(2,458)</u>
FUND BALANCE, April 1	26,393	26,393	26,393	-	26,393	-
FUND BALANCE, March 31	<u>\$ 27,709</u>	<u>\$ 27,709</u>	<u>\$ 25,251</u>	<u>\$ -</u>	<u>\$ 25,251</u>	<u>\$ (2,458)</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Charges for services						
Water	\$ 1,233,000	\$ 1,233,000	\$ 1,031,084	\$ -	\$ 1,031,084	\$ (201,916)
Sewer	817,000	817,000	776,519	-	776,519	(40,481)
Electric	5,786,500	5,786,500	4,938,311	-	4,938,311	(848,189)
Penalty and fees	99,000	99,000	86,202	-	86,202	(12,798)
Other	21,000	21,000	21,000	-	21,000	-
Miscellaneous						
Interest	100,000	100,000	159,732	(130,486)	29,246	(70,754)
Sale of property	2,500	2,500	7,238	-	7,238	4,738
Other	552,573	552,573	21,537	-	21,537	(531,036)
TOTAL REVENUES	<u>8,611,573</u>	<u>8,611,573</u>	<u>7,041,623</u>	<u>(130,486)</u>	<u>6,911,137</u>	<u>(1,700,436)</u>
EXPENDITURES						
Administration	1,823,920	1,823,920	1,320,499	325,081	1,645,580	(178,340)
Electric plant	4,279,629	4,279,629	3,759,201	(917)	3,758,284	(521,345)
Electric transportation and distribution	412,630	412,630	350,090	6,495	356,585	(56,045)
Sanitation	270,000	270,000	251,395	-	251,395	(18,605)
Sewer collection	229,635	229,635	150,083	(939)	149,144	(80,491)
Shop	42,416	42,416	39,780	-	39,780	(2,636)
Water plant	524,528	524,528	460,309	(1,751)	458,558	(65,970)
Water transportation and distribution	249,542	249,542	228,054	(2,171)	225,883	(23,659)
Waste water treatment plant	748,871	748,871	176,232	17,267	193,499	(555,372)
Depreciation expense	-	-	637,372	(637,372)	-	-
TOTAL EXPENDITURES	<u>8,581,171</u>	<u>8,581,171</u>	<u>7,373,015</u>	<u>(294,307)</u>	<u>7,078,708</u>	<u>(1,502,463)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>30,402</u>	<u>30,402</u>	<u>(331,392)</u>	<u>163,821</u>	<u>(167,571)</u>	<u>(197,973)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfer in	-	-	17,005	(17,005)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>17,005</u>	<u>(17,005)</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	<u>30,402</u>	<u>30,402</u>	<u>(314,387)</u>	<u>146,816</u>	<u>(167,571)</u>	<u>(197,973)</u>
FUND BALANCE, April 1	9,058,873	9,058,873	9,058,873	-	9,058,873	-
FUND BALANCE, March 31	<u>\$ 9,089,275</u>	<u>\$ 9,089,275</u>	<u>\$ 8,744,486</u>	<u>\$ 146,816</u>	<u>\$ 8,891,302</u>	<u>\$ (197,973)</u>

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



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, 2011, and have issued our report thereon dated July 18, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, 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 11-01. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 findings identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We noted certain matters that we reported to the management of the City of Butler, Missouri in a separate letter dated July 18, 2011.

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

DSWA Certified Public Accountants, PC.

Raymore, Missouri
July 18, 2011

CITY OF BUTLER, MISSOURI

SCHEDULE OF FINDINGS AND RESPONSES – CURRENT YEAR

FOR THE YEAR ENDED MARCH 31, 2011

FINANCIAL STATEMENT FINDINGS

11-01 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.

Cause: 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.

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

SUMMARY OF FINDINGS AND RESPONSES – PRIOR YEAR

FOR THE YEAR ENDED MARCH 31, 2010

FINANCIAL STATEMENT FINDINGS

10-01 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.

Cause: 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.

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

SUMMARY OF FINDINGS AND RESPONSES – PRIOR YEAR

FOR THE YEAR ENDED MARCH 31, 2010

COMPLIANCE AND OTHER MATTERS

10-02 Budget Compliance

Condition: During our testing, we noted that actual expenditures exceeded final budgeted expenditures in the Airport Fund.

Criteria: Missouri Revised Statutes Chapter 67 indicates that the City is required to adopt a budget and make any adjustment, at regularly scheduled meetings, necessary to have budgeted expenditures by fund to exceed or equal actual expenditures per fund.

Effect: The City is out of compliance with RSMo. Chapter 67.

Cause: The City did not appropriately amend final budgeted expenditures in the above mentioned funds.

Recommendation: We recommend the City monitor actual expenditures in each fund monthly and amend the budget as necessary to have budgeted expenditures by fund exceed or equal actual expenditures by fund.

Response: No response was given by the City's administration.

CITY OF BUTLER, MISSOURI

SUMMARY OF FINDINGS AND RESPONSES – PRIOR YEAR

FOR THE YEAR ENDED MARCH 31, 2010

10-03 Required Publications

Condition: The City could not locate documentation of required publications about various issues and hearings.

Criteria: Missouri Revised Statutes Chapter 67.110 indicates that the City is required to publish or post a public notice at least seven days prior to a public hearing.

Effect: The City is out of compliance with RSMo Chapter 67.110.

Cause: The City did not publish a public notice before the public hearing.

Recommendation: We recommend that the City ensure that a public notice is published and documentation of the notice be kept on file.

Response: The City normally publishes notices and will start maintaining a file for the specific purpose of filing these notices.