

CITY OF BUTLER, MISSOURI

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
MARCH 31, 2019**

CITY OF BUTLER, MISSOURI

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CITY OF BUTLER, MISSOURI

Principal Officials

MAYOR/CITY COUNCIL

Jim Henry..... Mayor

David Brown..... Council Member – Ward 1

Jim Garnett Council Member – Ward 1

Mike Irick.....Council Member – Ward 2, Mayor Pro Tem

Heather Diehl..... Council Member – Ward 2

Jeff Hall Council Member – Ward 3

Linn Nitsche Council Member – Ward 3

Gayle Cook Council Member – Ward 4

Dale Newkirk..... Council Member – Ward 4

ADMINISTRATION

Corey Snead City Administrator, City Clerk

Independent Certified Public Accountants Troutt, Beeman & Co., P.C.



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the
City Council
City of Butler, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Butler, Missouri, (the City), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Butler, Missouri's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

management, as well as evaluating the overall presentation of the financial statements.

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

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, each major fund, and the aggregate remaining fund information of the City of Butler, Missouri, as of March 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Missouri Local Government Employees Retirement System and budgetary comparison information on pages 38 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the budgetary comparison schedules in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

The City has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Budgetary Comparison Schedule – Capital Projects is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Troutt, Beeman & Co, P.C.

Harrisonville, Missouri
September 25, 2019

**CITY OF BUTLER, MISSOURI
STATEMENT OF NET POSITION
MARCH 31, 2019**

| | Primary Government | | |
|--|--------------------|---------------|---------------|
| | Governmental | Business-type | Total |
| | Activities | Activities | |
| ASSETS | | | |
| Pooled cash and investments | \$ 1,571,851 | \$ 82,990 | \$ 1,654,841 |
| Cash and investments-restricted | 431,179 | 1,707,670 | 2,138,849 |
| Cash with fiscal agent | 284,026 | 586,579 | 870,605 |
| Taxes receivable, net | 354,783 | - | 354,783 |
| Accounts receivable | 88,916 | 827,754 | 916,670 |
| Other receivables | 691 | 22,808 | 23,499 |
| Inventories | 32,385 | 609,707 | 642,092 |
| Prepaid expenses | 15,132 | 10,088 | 25,220 |
| Net pension asset | 318,744 | - | 318,744 |
| Capital assets: | | | |
| Land | 753,831 | 119,145 | 872,976 |
| Construction in process | 298,382 | - | 298,382 |
| Buildings and land improvements | 4,233,086 | 1,532,982 | 5,766,068 |
| Furniture and equipment | 3,202,954 | 6,064,277 | 9,267,231 |
| Infrastructure | 4,268,014 | 17,196,688 | 21,464,702 |
| Less: accumulated depreciation | (5,564,444) | (15,037,112) | (20,601,556) |
| Total capital assets | 7,191,823 | 9,875,980 | 17,067,803 |
| Total assets | 10,289,530 | 13,723,576 | 24,013,106 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension-related amounts | 193,352 | 105,556 | 298,908 |
| Total assets and deferred outflows of resources | \$ 10,482,882 | \$ 13,829,132 | \$ 24,312,014 |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ 154,772 | \$ 378,763 | \$ 533,535 |
| Salaries and benefits payable | 134,931 | 64,983 | 199,914 |
| Liabilities payable from restricted assets | - | 201,730 | 201,730 |
| Other liabilities | 1,890 | 9,877 | 11,767 |
| Long-term liabilities: | | | |
| Due within one year: | | | |
| Bonds, capital leases, and contracts | 375,243 | 644,758 | 1,020,001 |
| Accrued interest | 3,994 | 31,613 | 35,607 |
| Due in more than one year: | | | |
| Net pension liability | - | 29,538 | 29,538 |
| Bonds, capital leases, and contracts | 1,410,655 | 3,338,141 | 4,748,796 |
| Total liabilities | 2,081,485 | 4,699,403 | 6,780,888 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Franchise fees | - | 12,667 | 12,667 |
| Pension-related amounts | 239,277 | 86,047 | 325,324 |
| Property taxes | 15,959 | - | 15,959 |
| Total deferred inflows of resources | 255,236 | 98,714 | 353,950 |
| NET POSITION | | | |
| Net investment in capital assets | 5,405,925 | 6,866,878 | 12,272,803 |
| Restricted for: | | | |
| Prepaid items | 15,132 | 10,088 | 25,220 |
| Cemetery perpetual care | 390,947 | - | 390,947 |
| Debt service | 284,026 | 1,320,452 | 1,604,478 |
| Fire protection | 111,648 | - | 111,648 |
| Parks and recreation | 288,255 | - | 288,255 |
| Street | 769,247 | - | 769,247 |
| Unrestricted | 880,981 | 833,597 | 1,714,578 |
| Total net position | \$ 8,146,161 | \$ 9,031,015 | \$ 17,177,176 |
| Total liabilities, deferred inflows and net position | \$ 10,482,882 | \$ 13,829,132 | \$ 24,312,014 |

See accompanying notes.

CITY OF BUTLER, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019

| Functions/Programs | Net (Expense) Revenue and Changes in Net Assets | | | | |
|--|---|----------------------|--|-------------------------------------|---------------|
| | Primary Government | | | | Total |
| | Expenses | Charges for Services | Program Revenue Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary government activities: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 521,610 | \$ 60,402 | \$ - | \$ - | \$ (461,208) |
| Police | 939,320 | 78,932 | - | - | (860,388) |
| Fire department | 323,479 | 12,037 | 3,000 | - | (308,442) |
| Street | 388,704 | - | 177,567 | - | (211,137) |
| Emergency management | 10,515 | - | 5,985 | - | (4,530) |
| Cemetery | 133,238 | - | - | - | (89,658) |
| Parks | 360,797 | 43,580 | - | - | (360,797) |
| Shop | 65,525 | - | - | - | (65,525) |
| Recreation and aquatics | 158,097 | 90,605 | - | - | (67,492) |
| Municipal court | 78,433 | 5,950 | - | - | (72,483) |
| Airport | 78,288 | 30,012 | - | 258,692 | 210,416 |
| Interest on long-term debt | 60,057 | - | - | - | (60,057) |
| Bond issuance costs | 12,688 | - | - | - | (12,688) |
| Total governmental activities | 3,130,751 | 321,518 | 186,552 | 258,692 | (2,363,989) |
| Business-type activities: | | | | | |
| Water, sewer, electric, and trash | 7,534,228 | 7,331,464 | - | - | (202,764) |
| Total business-type activities | 7,534,228 | 7,331,464 | - | - | (202,764) |
| Total primary government | 10,664,979 | 1,052,982 | 186,552 | 258,692 | (2,566,755) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes, levied for general purposes | | | | | 252,768 |
| Property taxes, levied for specific purposes | | | | | 15,308 |
| Franchise taxes and other taxes | | | | | 177,186 |
| Sales taxes | | | | | 2,540,691 |
| Investment earnings | | | | | 8,766 |
| Miscellaneous | | | | | 101,184 |
| Transfers | | | | | 2,279 |
| Total general revenues and transfers | | | | | (42,464) |
| Change in net position | | | | | 67,220 |
| Net position - beginning | | | | | (135,544) |
| Net position - ending | | | | | 9,166,559 |
| | | | | | \$ 9,031,015 |
| | | | | | \$ 17,177,176 |

See accompanying notes.

**CITY OF BUTLER, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2019**

| | General Fund | Transportation Tax Fund | Park Fund | Airport Fund | Capital Projects | Fire Protection | Total Governmental Funds |
|--------------------------------------|-------------------|----------------------------|-------------------|------------------|---------------------|--------------------|--------------------------------|
| ASSETS | | | | | | | |
| Pooled cash and investments | \$ 236,696 | \$ 714,199 | \$ 232,322 | \$ 91,776 | \$ 199,169 | \$ 97,689 | \$ 1,571,851 |
| Cash and investments-restricted | 430,704 | - | 117 | - | 358 | - | 431,179 |
| Cash with fiscal agent | - | - | - | - | 284,026 | - | 284,026 |
| Taxes receivable, net | 173,356 | 55,816 | 55,816 | - | 55,836 | 13,959 | 354,783 |
| Accounts receivable | 88,916 | - | - | - | - | - | 88,916 |
| Other receivables | 691 | - | - | - | - | - | 691 |
| Inventories | 32,385 | - | - | - | - | - | 32,385 |
| Prepays | 15,132 | - | - | - | - | - | 15,132 |
| Total assets | <u>\$ 977,880</u> | <u>\$ 770,015</u> | <u>\$ 288,255</u> | <u>\$ 91,776</u> | <u>\$ 539,389</u> | <u>\$ 111,648</u> | <u>\$ 2,778,963</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Accounts payable | \$ 69,135 | \$ - | \$ - | \$ 623 | \$ 85,014 | \$ - | \$ 154,772 |
| Salaries and benefits payable | 134,163 | 768 | - | - | - | - | 134,931 |
| Property taxes | 15,959 | - | - | - | - | - | 15,959 |
| Other liabilities | 1,890 | - | - | - | - | - | 1,890 |
| Total liabilities | <u>221,147</u> | <u>768</u> | <u>-</u> | <u>623</u> | <u>85,014</u> | <u>-</u> | <u>307,552</u> |
| Fund balances: | | | | | | | |
| Nonspendable: | | | | | | | |
| Prepaid expenditures | 15,132 | - | - | - | - | - | 15,132 |
| Inventories | 32,385 | - | - | - | - | - | 32,385 |
| Cemetery perpetual care | 390,947 | - | - | - | - | - | 390,947 |
| Restricted: | | | | | | | |
| Parks and recreation | - | - | 288,255 | - | - | - | 288,255 |
| Debt service | - | - | - | - | 284,026 | - | 284,026 |
| Fire protection | - | - | - | - | - | 111,648 | 111,648 |
| Street | - | 769,247 | - | - | - | - | 769,247 |
| Assigned to: | | | | | | | |
| Capital outlay | - | - | - | - | 170,349 | - | 170,349 |
| Airport | - | - | - | 91,153 | - | - | 91,153 |
| Unassigned | 318,269 | - | - | - | - | - | 318,269 |
| Total fund balances | <u>756,733</u> | <u>769,247</u> | <u>288,255</u> | <u>91,153</u> | <u>454,375</u> | <u>111,648</u> | <u>2,471,411</u> |
| Total liabilities and fund balances | <u>\$ 977,880</u> | <u>\$ 770,015</u> | <u>\$ 288,255</u> | <u>\$ 91,776</u> | <u>\$ 539,389</u> | <u>\$ 111,648</u> | <u>\$ 2,778,963</u> |

See accompanying notes.

CITY OF BUTLER, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
MARCH 31, 2019

| | | |
|--|----|-----------|
| Fund balances - total governmental funds | \$ | 2,471,411 |
|--|----|-----------|

Amounts reported for governmental activities in the Statement of Net Position is different because:

| | | |
|---|--|-----------|
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | | 7,191,823 |
|---|--|-----------|

| | | |
|---|--|---------|
| Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. | | (3,994) |
|---|--|---------|

| | | |
|--|--|---------|
| Net pension asset is not a current financial use and therefore not reported in the fund financial statements | | 318,744 |
|--|--|---------|

Deferred pension inflows and outflows are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:

| | | |
|----------|--|-----------|
| Inflows | | (239,267) |
| Outflows | | 193,352 |
| | | (45,915) |

Long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the government-wide statements,

| | | |
|--------------------------|--|-------------|
| Bonds and capital leases | | (1,785,898) |
|--------------------------|--|-------------|

| | | |
|--|----|-----------|
| Net Position of Governmental Activities in the Statement of Net Position | \$ | 8,146,171 |
|--|----|-----------|

See accompanying notes.

CITY OF BUTLER, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE --
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2019

| | General Fund | Transportation Tax Fund | Park Fund | Airport Fund | Capital Projects | Fire Protection | Total Governmental Funds |
|---|-------------------|----------------------------|-------------------|------------------|---------------------|--------------------|--------------------------------|
| REVENUES | | | | | | | |
| Taxes | \$ 1,163,006 | \$ 358,765 | \$ 358,763 | \$ - | \$ 358,769 | \$ 89,696 | \$ 2,328,999 |
| Licenses and permits | 49,003 | - | - | - | - | - | 49,003 |
| Intergovernmental | 445,244 | - | - | - | - | - | 445,244 |
| Charges for services | 172,533 | - | - | 30,012 | - | - | 202,545 |
| Fees and fines | 69,970 | - | - | - | - | - | 69,970 |
| Investment earnings | 1,471 | 32 | 33 | - | 7,208 | 22 | 8,766 |
| Payments in lieu of taxes | 656,954 | - | - | - | - | - | 656,954 |
| Other | 99,606 | - | - | 100 | - | - | 99,706 |
| Total revenues | <u>2,657,787</u> | <u>358,797</u> | <u>358,796</u> | <u>30,112</u> | <u>365,977</u> | <u>89,718</u> | <u>3,861,187</u> |
| EXPENDITURES | | | | | | | |
| Current expenditures: | | | | | | | |
| General government | 633,649 | - | - | - | - | - | 633,649 |
| Police | 894,384 | - | - | - | - | - | 894,384 |
| Fire department | 237,928 | - | - | - | - | - | 237,928 |
| Street | 269,886 | 12,164 | - | - | - | - | 282,050 |
| Emergency management | 10,515 | - | - | - | - | - | 10,515 |
| Cemetery | 133,238 | - | - | - | - | - | 133,238 |
| Parks | 285,011 | - | - | - | - | - | 285,011 |
| Shop | 65,525 | - | - | - | - | - | 65,525 |
| Recreation and aquatics | 158,097 | - | - | - | - | - | 158,097 |
| Municipal court | 78,433 | - | - | - | - | - | 78,433 |
| Airport | - | - | - | 14,170 | - | - | 14,170 |
| Capital outlay | 299,329 | - | - | - | 481,310 | - | 780,639 |
| Debt service: | | | | | | | |
| Principal | - | - | 214,400 | - | 177,290 | - | 391,690 |
| Interest and other charges | - | - | 24,097 | - | 34,889 | - | 58,986 |
| Bond issuance costs | - | - | - | - | 12,688 | - | 12,688 |
| Total expenditures | <u>3,065,995</u> | <u>12,164</u> | <u>238,497</u> | <u>14,170</u> | <u>706,177</u> | <u>-</u> | <u>4,037,003</u> |
| Excess (deficiency) of revenues over expenditures | <u>(408,208)</u> | <u>346,633</u> | <u>120,299</u> | <u>15,942</u> | <u>(340,200)</u> | <u>89,718</u> | <u>(175,816)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Proceeds from issuance of long-term debt | - | - | - | - | 575,153 | - | 575,153 |
| Transfers in | 207,666 | - | - | - | 70,968 | - | 278,634 |
| Transfers out | - | (68,750) | (131,099) | - | - | (36,321) | (236,170) |
| Total other financing sources and uses | <u>207,666</u> | <u>(68,750)</u> | <u>(131,099)</u> | <u>-</u> | <u>646,121</u> | <u>(36,321)</u> | <u>617,617</u> |
| Net change in fund balances | (200,542) | 277,883 | (10,800) | 15,942 | 305,921 | 53,397 | 441,801 |
| Fund balances - beginning | <u>957,275</u> | <u>491,364</u> | <u>299,055</u> | <u>75,211</u> | <u>148,454</u> | <u>58,251</u> | <u>2,029,610</u> |
| Fund balances - ending | <u>\$ 756,733</u> | <u>\$ 769,247</u> | <u>\$ 288,255</u> | <u>\$ 91,153</u> | <u>\$ 454,375</u> | <u>\$ 111,648</u> | <u>\$ 2,471,411</u> |

See accompanying notes.

CITY OF BUTLER, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019

Net change in fund balances - total governmental funds: \$ 441,801

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. This is the amount by which capital outlays, which are over the capitalization threshold, exceeded depreciation in the current period:

| | |
|----------------------------|------------------|
| Capital outlay | 780,639 |
| Capital outlay expensed | (23,233) |
| Gain on disposal of assets | 1,478 |
| Depreciation expense | <u>(384,959)</u> |
| | <u>373,925</u> |

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Net Position reports repayment as a reduction to long-term liabilities. This is the amount by which repayments exceed proceeds:

| | |
|--|----------------|
| Other financing sources-issuance of debt | (575,153) |
| Repayment of principal | <u>391,690</u> |
| | (183,463) |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

| | |
|------------------|----------------|
| Accrued interest | (1,071) |
| Pension expense | <u>143,196</u> |
| | <u>142,125</u> |

Change in net position of governmental activities \$ 774,388

**CITY OF BUTLER, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUND
MARCH 31, 2019**

| | <u>Utility Fund</u> |
|---|----------------------|
| ASSETS: | |
| Current assets: | |
| Pooled cash and investments | \$ 82,990 |
| Cash and investments-restricted | 1,707,670 |
| Cash with fiscal agent | 586,579 |
| Receivables: | |
| Billed | 549,016 |
| Unbilled | 278,738 |
| Other receivables | 22,808 |
| Inventories | 609,707 |
| Prepaid expenses | 10,088 |
| Total current assets | <u>3,847,596</u> |
| Non-current assets, | |
| Capital assets: | |
| Land and improvements | 119,145 |
| Infrastructure | 17,196,688 |
| Buildings | 1,532,982 |
| Equipment and furniture | 6,064,277 |
| Total capital assets at cost | 24,913,092 |
| Less accumulated depreciation | <u>(15,037,112)</u> |
| Capital assets, net | <u>9,875,980</u> |
| Total assets | 13,723,576 |
| DEFERRED OUTFLOWS OF RESOURCES, | |
| Pension--related amounts | 105,556 |
| Total assets and deferred outflows of resources | <u>\$ 13,829,132</u> |
| LIABILITIES: | |
| Current liabilities: | |
| Accounts payable | \$ 378,763 |
| Salaries and benefits payable | 64,983 |
| Accrued interest payable | 31,613 |
| Meter deposits | 201,730 |
| Other payables | 9,877 |
| Bonds, notes, and capital leases payable | 644,758 |
| Total current liabilities | <u>1,331,724</u> |
| Non-current liabilities, | |
| Net pension liability | 29,538 |
| Bonds, notes, and capital leases payable | <u>3,338,141</u> |
| Total liabilities | <u>4,699,403</u> |
| DEFERRED INFLOWS OF RESOURCES: | |
| Franchise fees | 12,667 |
| Pension--related amounts | <u>86,047</u> |
| Total deferred inflows of resources | <u>98,714</u> |
| Total liabilities and deferred inflows of resources | <u>4,798,117</u> |
| NET POSITION: | |
| Net investment in capital assets | 6,866,878 |
| Restricted for debt service | 1,320,452 |
| Restricted for other purposes | 10,088 |
| Unrestricted | <u>833,597</u> |
| Total net position | <u>9,031,015</u> |
| Total liabilities, deferred inflows, and net position | <u>\$ 13,829,132</u> |

See accompanying notes.

CITY OF BUTLER, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION --
PROPRIETARY FUND
FOR THE YEAR ENDED MARCH 31, 2019

| | <u>Utility Fund</u> |
|---|---------------------|
| REVENUES, | |
| Charges for services | \$ 7,331,464 |
| | <u>7,331,464</u> |
| OPERATING EXPENSES: | |
| Personnel services | 1,087,334 |
| Contractual services | 4,054,751 |
| Materials and supplies | 189,854 |
| Maintenance and repairs | 279,106 |
| Insurance | 81,394 |
| Utilities | 274,170 |
| Interfund charges for support services | 656,954 |
| Depreciation and amortization | 634,199 |
| Administration | <u>126,189</u> |
| | <u>7,383,951</u> |
| Operating loss | <u>(52,487)</u> |
| NON-OPERATING REVENUES (EXPENSES): | |
| Interest income | 107,405 |
| Miscellaneous income | 2,279 |
| Debt issuance costs | (20,000) |
| Interest expense | <u>(130,277)</u> |
| | <u>(40,593)</u> |
| Net loss before transfers | (93,080) |
| Transfers out | <u>(42,464)</u> |
| Decrease in net position | (135,544) |
| Net position - beginning | <u>9,166,559</u> |
| Net position - ending | <u>\$ 9,031,015</u> |

See accompanying notes.

CITY OF BUTLER, MISSOURI

STATEMENT OF CASH FLOWS -- PROPRIETARY FUND
FOR THE YEAR ENDED MARCH 31, 2019

| | |
|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Received from customers | \$ 7,293,271 |
| Payments to employees and fringe benefits | (1,783,897) |
| Payments for operations | <u>(4,921,658)</u> |
| Net cash provided by operating activities | <u>587,716</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES, | |
| Transfers out | <u>(42,464)</u> |
| Net cash used by noncapital financing activities | <u>(42,464)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Proceeds from capital debt | 1,084,847 |
| Proceeds from sale of capital assets | 24,590 |
| Acquisition and construction of capital assets | (162,700) |
| Principal paid on capital debt and leases | (1,324,233) |
| Interest and issuance costs paid on capital debt and leases | <u>(150,277)</u> |
| Net cash used by capital and related financing activities | <u>(527,773)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES, | |
| Investment income | <u>107,405</u> |
| Net increase in cash and cash equivalents | 124,884 |
| Cash and cash equivalents, Beginning of the year | <u>2,252,355</u> |
| Cash and cash equivalents, End of the year | <u>\$ 2,377,239</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating loss | <u>\$ (52,487)</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation and amortization expense | 634,199 |
| Nonoperating revenues | 4,092 |
| Changes in assets and liabilities: | |
| Receivables, net | (38,193) |
| Inventories | (22,581) |
| Pension | 54,405 |
| Accounts payable and accrued liabilities | 4,686 |
| Meter deposits | <u>3,595</u> |
| Total adjustments | <u>640,203</u> |
| Net cash provided by operating activities | <u>\$ 587,716</u> |
| Noncash investing, capital, and financing activities: | |
| Assets acquired through assumption of a liability | <u>\$ 1,084,847</u> |

See accompanying notes.

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Butler, Missouri (the City), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

Reporting Entity: The City of Butler, Missouri, located in Bates County, Missouri, is a third class city in which citizens elect the mayor at large and eight council members by wards, two from each ward. The City operates under a Council-City Administrator form of government and provides such services as public safety, streets, parks and recreation, planning, and general administrative services. The City Administrator is the chief administrative officer of the City. The accompanying financial statements present the City's primary government and any component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Management has considered all potential component units and has determined there are no entities outside of the primary government that should be blended into or discretely presented with the City's financial statements.

The accounting and reporting policies of the City conform to generally accepted accounting principles applicable to local governments. With regard to FASB pronouncements issued after November 30, 1989, for its proprietary fund activities, the City has elected not to adopt any of those pronouncements. The City has also refrained from implementing FASB pronouncements issued after November 30, 1989.

Government-Wide and Fund Financial Statements: The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. *Governmental activities*, which are normally supported by taxes and governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Government-Wide and Fund Financial Statements (Continued):

Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds include other Special Revenue and Capital Projects funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for non-major funds are presented with Combining and Individual Fund Statements and Schedules.

Measurement Focus, Basis of Accounting, and Basis of Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims, and judgments are reported only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Charges for sales and services (other than utility) and miscellaneous revenues are generally recorded as revenue when received in cash because they are generally not measurable until actually received.

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued):

The government reports the following major governmental funds:

The General Fund is the primary operating fund. Expenditures from this fund provide basic City services, such as police protection, planning, inspection, engineering, animal control, civil defense, municipal court, and overall basic services such as finance and data processing, personnel, and general administration of the City. Revenue sources include taxes, which include property taxes, sales taxes, and franchise taxes. Other revenues include other fees and licenses, and revenue gathered from the municipal court and investment earnings.

The Transportation Tax Fund accounts for the operation and maintenance of streets, curbs, etc.

The Parks Fund accounts for taxes collected and expended for improvements to the City's parks and pool.

The Airport Fund accounts for the operations and maintenance of the City's airport.

The Capital Projects Fund accounts for resources restricted for the construction and acquisition of capital projects.

The Fire Protection Sales Tax Fund accounts for sales taxes collected for the operations of fire protection for the City.

Proprietary fund level financial statements are used to account for activities, which are similar to those found in the private-sector. The measurement focus is upon determination of net income, financial position, and cash flows. The City's proprietary fund is as follows:

The Utility Fund accounts for the provision of water, sewer, electric, and sanitation services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, billing, collection, and related debt service.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of the activity, i.e., charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued):

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Net Position Classifications: In the government-wide and proprietary fund financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets - These amounts consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent bond or other debt proceeds.

Restricted net position - These amounts consist of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Unrestricted net position - These amounts consist of all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

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

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

CITY OF BUTLER, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Equity (Continued):

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Budgets: The reported budgetary data represents the final approved budget after amendments as adopted by the City Council. Annual operating budgets are adopted for the General Fund, Special Revenue Funds, Capital Projects Funds, and Proprietary Fund. Missouri law requires budgets to be adopted for all governmental funds. The City prepares its budgets on the cash basis of accounting for its governmental funds and the accrual basis for its proprietary fund. The City Council did not amend the budget during the year. The City Council has performed the following procedures in establishing the City's budget:

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Budgets (Continued):

- (1) Prior to February 28, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to April 1, the budget is legally enacted through the passage of an ordinance.
- (4) The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. This constitutes the City's legal level of budgetary control.
- (5) Appropriations lapse at year-end, but may be reappropriated in the following fiscal year.

Pooled Cash, Investments, and Restricted Assets: State statutes authorize the City to invest in banking institutions and obligations of municipalities, repurchase agreements, U.S. government agency obligations, and obligations of the U.S. Treasury. Cash resources of the individual governmental fund types are combined to form a pool of cash and investments. At March 31, 2019, the City's cash was deposited in demand accounts, certificates of deposit, Federal Home Loan Bank Notes, Federal National Mortgage Notes, Federal Home Loan Mortgage Corporation Notes, and U.S. Treasury Obligations. Investments with maturities of less than one year are stated at cost, which approximates fair value. All investments are stated at cost, which approximates fair value. Interest income on pooled cash and investments is allocated based upon each fund's respective average cash balance.

Assets are restricted for court bonds, debt service reserve requirements, and refunding customer meter deposits.

Statement of Cash Flows: A statement of cash flows has been presented in accordance with Governmental Accounting Standards Board Statement 9 for the Proprietary Fund. For purposes of the statement of cash flows, demand deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, are considered to be cash equivalents.

Accounts Receivable: Accounts receivable for water, sewer, electric, and sanitation services are accounted for in the Utility Fund and include billed amounts as well as an accrual for the earned but unbilled services from the previous billing date through March 31, 2019. All accounts receivable are stated net of allowances for doubtful accounts.

CITY OF BUTLER, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Interfund Receivables and Payables: Transactions between funds that are representative of cash overdrafts from pooled cash and investing are reported as interfund receivables or payables.

Interfund Transactions: During the course of normal operations, the City has transactions between funds, including expenditures and transfers of resources to provide services and construct assets. Legally authorized transfers are treated as transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Inventory: Inventory, which consists principally of maintenance supplies, gasoline, and oil, is valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when purchased.

Deferred Outflows/Inflows of Resources: In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources, or expenses/expenditures, until then. The City has deferred changes in proportion dealing with pensions and contributions made after the measurement date. These represent a consumption of net position that applies to future periods and is not recognized as an outflow of resources until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources, or revenues, until that time. The City has non-exchange revenue transactions where a receivable has been recorded because property taxes were levied, but the resources cannot be used until a future period. This item has been reported as a deferred inflow on the government-wide statement of net position. Also, a deferred inflow of resources dealing with pension is reported for the differences between expected and actual experience, the net difference between projected and actual earnings on pension investments, and changes of assumptions.

Capital Assets: Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads and bridges), are reported in the applicable government or business-type activities columns in the government-wide statements. Capital assets are defined as assets with a cost of \$5,000 or more. Capital assets are recorded at historical cost if purchased or constructed, or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation on all assets is computed using the straight-line method over the following estimated lives:

Major Assets

| | |
|-----------------------------|-------------|
| Buildings | 40 years |
| Plant, structure, and lines | 50-60 years |
| Infrastructure | 50 years |
| Equipment and vehicles | 3-10 years |

Capital Assets (Continued): GASB Statement 34 requires the reporting and depreciation of the new infrastructure expenditures effective with the beginning of the implementation year.

Compensated Absences: Accumulated vacation and sick leave, that is expected to be liquidated with expendable available financial resources, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-Term Obligations: Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary control. Encumbrances outstanding at year-end, if any, are reported as reservations of fund balance for subsequent year expenditures. When expenditures are incurred in subsequent years relating to amounts previously encumbered, such amounts are, if material, reappropriated in the year expended.

Use of Estimates: The preparation of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS:

At March 31, 2019, the carrying amount of the City's cash on hand, demand deposits, and certificates of deposit in financial institutions was \$617, \$2,379,243, and \$11,658, respectively. The bank balances of demand deposits were fully insured with a combination of FDIC insurance and pledged collateral held in the name of the City. All deposits were held by a qualified depository.

At March 31, 2019, the City's investments consisted of the following:

| | <u>Carrying Amount</u> | <u>Fair Value</u> | <u>Investment Rating</u> |
|---------------------------------|----------------------------|-----------------------|------------------------------|
| Money market | \$ 358 | \$ 358 | NA |
| Guaranteed investment contracts | <u>1,401,814</u> | <u>1,401,814</u> | NA |
| | <u>\$ 1,402,172</u> | <u>\$ 1,402,172</u> | |

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The City does not have a formal policy for interest rate risk. However, the City does manage its exposure to fair value loss arising from interest rate changes on internally invested funds by reviewing the portfolio on an ongoing basis for changes in effective yield amounts. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

Custodial Credit Risk:

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk of investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's policy is to collateralize demand deposits with securities held by the financial institution's agent and in the City's name.

At March 31, 2019, the City had the following investments and maturities:

| | Investment maturities (in years) | | | |
|---------------------------------|----------------------------------|------------------|------------------|----------|
| | Value | Less than one | 1-5 | >5 |
| Investment type: | | | | |
| Money market | \$ 358 | \$ 358 | \$ - | \$ - |
| Guaranteed investment contracts | <u>1,401,814</u> | <u>-</u> | <u>1,401,814</u> | <u>-</u> |
| | \$ 1,402,172 | \$ 358 | \$ 1,401,814 | \$ - |

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (Continued):

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer.

Missouri State Statutes authorize the City, with certain restrictions, to deposit funds in open accounts, time deposits, and certificates of deposit. Statutes also require that collateral pledged have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or a disinterested third party and must be of the kind prescribed by statutes and approved by the State. The City may purchase any investments allowed by the State Treasurer. These include (a) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (b) repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

The City's general credit risk policy is to apply to prudent person rule: Investments shall be made with the exercise of that judgment and care, under circumstances then prevailing, which individuals of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probability safety of their capital, as well as the probable income to be derived.

At March 31, 2019, the carrying value of deposits and investments are summarized as follows:

| | |
|---|---------------------|
| Investments: | |
| Money markets | \$ 358 |
| Guaranteed investment contracts | <u>1,401,814</u> |
| Total investments | <u>1,402,172</u> |
| Certificates of deposit | 11,658 |
| Cash on hand | 617 |
| Deposits and amounts with fiscal agents | <u>3,249,848</u> |
| | <u>3,262,123</u> |
| | <u>\$ 4,664,295</u> |

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (Continued):

Deposits and investments of the City are reflected in the government-wide financial statements as follows:

| | |
|-----------------------------|----------------------------|
| Pooled cash and investments | \$ 1,654,841 |
| Restricted cash | 2,138,849 |
| Cash with fiscal agent | <u>870,605</u> |
| | <u><u>\$ 4,664,295</u></u> |

3. ACCOUNTS RECEIVABLE:

As a result of providing water, electric, waste water, and sanitation services to its citizens, the City has extended credit to them. Accounts receivable are presented net of allowance for doubtful accounts of \$7,500 for the Utility Fund.

4. CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2019, consisted of the following:

| | Balance 4/1/2018 | Increases | Decreases | Balance 3/31/2019 |
|---|----------------------------|--------------------------|-------------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 753,831 | \$ - | \$ - | \$ 753,831 |
| Construction in progress | <u>37,320</u> | <u>289,665</u> | <u>28,603</u> | <u>298,382</u> |
| Total capital assets not being depreciated | <u>791,151</u> | <u>289,665</u> | <u>28,603</u> | <u>1,052,213</u> |
| Capital assets being depreciated: | | | | |
| Buildings and land improvements | 4,233,086 | - | - | 4,233,086 |
| Furniture and equipment | 149,212 | 94,201 | 13,070 | 230,343 |
| Heavy equipment | 1,536,171 | 250,302 | 5,264 | 1,781,209 |
| Vehicles | 1,057,444 | 133,958 | - | 1,191,402 |
| Infrastructure | <u>4,239,411</u> | <u>28,603</u> | <u>-</u> | <u>4,268,014</u> |
| Total capital assets being depreciated | <u>11,215,324</u> | <u>507,064</u> | <u>18,334</u> | <u>11,704,054</u> |
| Less accumulated depreciation: | | | | |
| Buildings and land improvements | 1,636,583 | 85,980 | - | 1,722,563 |
| Furniture and equipment | 68,126 | 19,627 | 7,951 | 79,802 |
| Heavy equipment | 1,213,126 | 63,954 | 1,141 | 1,275,939 |
| Vehicles | 600,126 | 84,616 | - | 684,742 |
| Infrastructure | <u>1,670,616</u> | <u>130,782</u> | <u>-</u> | <u>1,801,398</u> |
| Total accumulated depreciation | <u>5,188,577</u> | <u>384,959</u> | <u>9,092</u> | <u>5,564,444</u> |
| Total capital assets being depreciated, net | <u>6,026,747</u> | <u>122,105</u> | <u>9,242</u> | <u>6,139,610</u> |
| Governmental activities capital assets, net | <u><u>\$ 6,817,898</u></u> | <u><u>\$ 411,770</u></u> | <u><u>\$ 37,845</u></u> | <u><u>\$ 7,191,823</u></u> |

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS (Continued):

Capital asset activity for the year ended March 31, 2019, consisted of the following:

| | Balance 4/1/2018 | Increases | Decreases | Balance 3/31/2019 |
|--|----------------------|---------------------|------------------|----------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 119,145 | \$ - | \$ - | \$ 119,145 |
| Total capital assets not being depreciated | <u>119,145</u> | <u>-</u> | <u>-</u> | <u>119,145</u> |
| Capital assets being depreciated: | | | | |
| Buildings and land improvements | 1,601,332 | 6,650 | 75,000 | 1,532,982 |
| Furniture and equipment | 4,811,412 | - | - | 4,811,412 |
| Heavy equipment | 704,248 | 77,100 | - | 781,348 |
| Vehicles | 392,567 | 78,950 | - | 471,517 |
| Infrastructure | <u>17,196,688</u> | <u>-</u> | <u>-</u> | <u>17,196,688</u> |
| Total capital assets being depreciated | <u>24,706,247</u> | <u>162,700</u> | <u>75,000</u> | <u>24,793,947</u> |
| Less accumulated depreciation: | | | | |
| Buildings and land improvements | 1,156,141 | 24,056 | 48,597 | 1,131,600 |
| Furniture and equipment | 3,388,029 | 196,990 | - | 3,585,019 |
| Heavy equipment | 361,758 | 36,067 | - | 397,825 |
| Vehicles | 336,073 | 8,014 | - | 344,087 |
| Infrastructure | <u>9,209,509</u> | <u>369,072</u> | <u>-</u> | <u>9,578,581</u> |
| Total accumulated depreciation | <u>14,451,510</u> | <u>634,199</u> | <u>48,597</u> | <u>15,037,112</u> |
| Total capital assets being depreciated, net | <u>10,254,737</u> | <u>(471,499)</u> | <u>26,403</u> | <u>9,756,835</u> |
| Business-type activities capital assets, net | <u>\$ 10,373,882</u> | <u>\$ (471,499)</u> | <u>\$ 26,403</u> | <u>\$ 9,875,980</u> |

Depreciation expense was charged to the function/programs of the primary government as follows:

| | |
|--|-------------------|
| Government activities: | |
| General government | \$ 24,976 |
| Police | 44,443 |
| Fire | 74,926 |
| Airport | 64,118 |
| Streets | 101,866 |
| Parks | <u>74,630</u> |
| Total depreciation expense, governmental | <u>\$ 384,959</u> |
| Business-type activities: | |
| Water | \$ 306,322 |
| Sewer | 143,744 |
| Electric | <u>184,133</u> |
| | <u>\$ 634,199</u> |

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

5. PENSION PLAN:

General Information about the Pension Plan

Plan description: The City of Butler's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The City of Butler participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

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

2018 Valuation

| | |
|-----------------------|-------------------------------------|
| Benefit Multiplier: | 1.25% for life, plus .75% to age 65 |
| Final Average Salary: | 3 years |
| Member Contributions: | 0% |

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

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

| | |
|--|---|
| Inactive employees or beneficiaries currently receiving benefits | 36 |
| Inactive employees entitled to but not yet receiving benefits | 11 |
| Active employees | 46 |
| | <hr style="border-top: 1px solid black; border-bottom: 3px double black;"/> |
| | 93 |

CITY OF BUTLER, MISSOURI

NOTES TO FINANCIAL STATEMENTS

5. PENSION PLAN (Continued):

Contributions: The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 12.3% General, 10.0% Police, and .7% Fire of annual covered payroll.

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

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

| | |
|---------------------------|------------------------------------|
| Inflation | 3.25% wage 2.5% price |
| Salary Increase | 3.25% to 6.55% including inflation |
| Investment rate of return | 7.25% |

Mortality rates were based on the RP-2014 mortality table for males and females for healthy retirees, disabled retiree, and employees, adjusted for mortality improvement back to the observation period base year of 2006.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------|-------------------|--|
| Equity | 48.00% | 4.80% |
| Fixed Income | 28.50% | 1.84% |
| Real Assets | 23.50% | 3.91% |

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

5. PENSION PLAN (Continued):

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

Changes in the Net Pension Liability (Asset):

| | Increase (Decrease) | | |
|---|-------------------------|-----------------------------|-----------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balances at 6/30/2017 | \$ 5,830,743 | \$ 5,832,214 | \$ (1,471) |
| Changes for the year: | | | |
| Service Cost | 157,878 | - | 157,878 |
| Interest | 420,297 | - | 420,297 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | 86,989 | - | 86,989 |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 206,934 | (206,934) |
| Contributions - employee | - | - | - |
| Net investment income | - | 738,758 | (738,758) |
| Benefit payments, including refunds | (226,136) | (226,136) | - |
| Administrative expense | - | (7,427) | 7,427 |
| Other changes | - | 14,634 | (14,634) |
| Net changes | 439,028 | 726,763 | (287,735) |
| Balances at 6/30/2018 | \$ 6,269,771 | \$ 6,558,977 | \$ (289,206) |

Sensitivity of the net pension liability to changes in the discount rate: The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

| | Current Single Discount | | |
|--------------------------------------|-------------------------|-----------------|--------------|
| | 1% Decrease | Rate Assumption | 1% Increase |
| | 6.25% | 7.25% | 8.25% |
| Total Pension Liability (TPL) | \$ 7,124,547 | \$ 6,269,771 | \$ 5,564,408 |
| Plan Fiduciary Net Position | 6,558,977 | 6,558,977 | 6,558,977 |
| Net Position Liability/(Asset) (NPL) | \$ 565,570 | \$ (289,206) | \$ (994,569) |

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

5. PENSION PLAN (Continued):

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

For the year ended March 31, 2019, the employer recognized pension expense of \$206,944. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences in experience | \$ 92,579 | \$ (137,063) |
| Differences in assumptions | 59,213 | - |
| Excess (deficit) investment returns | | (188,261) |
| Contributions subsequent to the measurement date* | 147,116 | - |
| Total | <u>\$ 298,908</u> | <u>\$ (325,324)</u> |

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending March 31, 2020.

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

| Year Ending | Net Deferred Outflows of Resources |
|-------------|---------------------------------------|
| 2019 | \$ 17,360 |
| 2020 | (53,804) |
| 2021 | (95,193) |
| 2022 | (47,276) |
| 2023 | 5,381 |
| Thereafter | - |
| | <u>\$ (173,532)</u> |

Payable to the Pension Plan

At March 31, 2019, the City reported a liability of \$0 for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2019.

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT:

Changes in long-term debt of the City for the year ended March 31, 2019, consisted of the following:

| Governmental Activities | | | | | |
|--|-----------------------------|-------------------|-------------------|------------------------------|-----------------------------------|
| | Balance April 1, 2018 | Additions | Retirements | Balance March 31, 2019 | Amounts Due Within One Year |
| Certificates of participation | \$ 1,555,000 | \$ - | \$ 320,000 | \$ 1,235,000 | \$ 325,000 |
| Capital leases | <u>47,435</u> | <u>575,153</u> | <u>71,690</u> | <u>550,898</u> | <u>50,243</u> |
| | 1,602,435 | 575,153 | 391,690 | 1,785,898 | 375,243 |
| Other liabilities, Compensated absences | <u>77,351</u> | <u>76,944</u> | <u>77,351</u> | <u>76,944</u> | <u>76,994</u> |
| | <u>\$ 1,679,786</u> | <u>\$ 652,097</u> | <u>\$ 469,041</u> | <u>\$ 1,862,842</u> | <u>\$ 452,237</u> |

| Business-Type Activities | | | | | |
|-----------------------------------|-----------------------------|---------------------|---------------------|------------------------------|-----------------------------------|
| | Balance April 1, 2018 | Additions | Retirements | Balance March 31, 2019 | Amounts Due Within One Year |
| Revenue bonds | \$ 2,490,000 | \$ - | \$ 520,000 | \$ 1,970,000 | \$ 550,000 |
| SRF loan | 1,236,298 | - | 262,501 | 973,797 | - |
| Capital lease | <u>495,987</u> | <u>1,084,847</u> | <u>541,732</u> | <u>1,039,102</u> | <u>94,758</u> |
| | 4,222,285 | 1,084,847 | 1,324,233 | 3,982,899 | 644,758 |
| Other liabilities, Net pension | 26,578 | 29,538 | 26,578 | 29,538 | - |
| Compensated absences | <u>37,456</u> | <u>38,741</u> | <u>37,456</u> | <u>38,741</u> | <u>38,741</u> |
| | <u>\$ 4,286,319</u> | <u>\$ 1,153,126</u> | <u>\$ 1,388,267</u> | <u>\$ 4,051,178</u> | <u>\$ 683,499</u> |

The compensated absences liability attributable to governmental activities will be liquidated primarily by the General Fund. The liability for compensated absences has been calculated using the vesting method, which leaves amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

6. LONG TERM DEBT (Continued):

Total City debt at March 31, 2019, consisted of the following:

Governmental funds:

| | |
|--|---------------------|
| \$2,450,000, Series 2015, refunding certificates of participation, issued for the construction of the aquatic center, due in annual installments of \$185,000 to \$330,000, through March 1, 2024; interest at 0.85% to 3% | <u>\$ 1,235,000</u> |
|--|---------------------|

Proprietary fund:

| | |
|--|------------|
| \$3,000,000, Series 2001A Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program), due in annual installments of \$95,000 to \$235,000, through July 1, 2022; interest at 3% to 5% | \$ 865,000 |
|--|------------|

| | |
|---|------------------|
| \$5,000,000, Series 2001B Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program), due in annual installments of \$160,000 to \$385,000, through July 1, 2021; interest at 3% to 5% | <u>1,105,000</u> |
|---|------------------|

| | |
|---------------------|------------------|
| Total Revenue Bonds | <u>1,970,000</u> |
|---------------------|------------------|

| | |
|---------------------------|----------------|
| State Revolving Fund loan | <u>973,797</u> |
|---------------------------|----------------|

| | |
|------------------------|---------------------|
| Total Proprietary fund | <u>\$ 2,943,797</u> |
|------------------------|---------------------|

Aggregate annual principal and interest payments applicable to long-term debt are:

| Years ending March 31, | Principal | Interest | Certificates of Participation |
|---------------------------|---------------------|------------------|-------------------------------------|
| 2020 | \$ 325,000 | \$ 29,475 | \$ 354,475 |
| 2021 | 330,000 | 23,300 | 353,300 |
| 2022 | 215,000 | 15,875 | 230,875 |
| 2023 | 180,000 | 10,500 | 190,500 |
| 2024 | <u>185,000</u> | <u>5,550</u> | <u>190,550</u> |
| | <u>\$ 1,235,000</u> | <u>\$ 84,700</u> | <u>\$ 1,319,700</u> |

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

| Years ending March 31, | Principal | Interest | Revenue Bonds |
|---------------------------|---------------------|-------------------|---------------------|
| 2020 | \$ 550,000 | \$ 84,750 | \$ 634,750 |
| 2021 | 580,000 | 56,500 | 636,500 |
| 2022 | 605,000 | 26,875 | 631,875 |
| 2023 | <u>235,000</u> | <u>5,875</u> | <u>240,875</u> |
| | <u>\$ 1,970,000</u> | <u>\$ 174,000</u> | <u>\$ 2,144,000</u> |

Bond Reserve Accounts:

Under the Series 2001C Combined Waterworks/Sewerage System Revenue Bonds (State Revolving Fund Program), the City is required to deposit monies into a debt service account sufficient to meet maturity dates of principal and interest. Further, after providing funds for current operations and principal and interest, excess funds will be deposited at a rate of \$12,500 annually into a depreciation and replacement account until a balance of \$81,900 is reached.

At March 31, 2019, the City was in compliance with these requirements.

Under the Series 2001C Combined Waterworks/Sewerage System Revenue Bonds (State Revolving Fund Program), the City is required to deposit monies into a debt service account sufficient to meet maturity dates of principal and interest. Further, after providing funds for current operations and principal and interest, excess funds will be deposited at a rate of \$37,200 annually into a depreciation and replacement account until a balance of \$72,100 is reached.

At March 31, 2019, the City was in compliance with these requirements.

Rates and fees established and charged were sufficient to satisfy the bond covenant responsibilities for the sewer fund for the year ended March 31, 2019.

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

7. CAPITAL LEASES:

The City has entered into lease agreements for financing capital equipment. The lease agreements qualify as capital leases for accounting purposes, therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

| <u>Asset</u> | |
|---------------------------|--------------------------------|
| Debt refunding | \$ 279,044 |
| Vehicles and equipment | 510,351 |
| Unspent proceeds | <u>870,605</u> |
| Total assets acquired | <u><u>\$ 1,660,000</u></u> |

The future minimum lease payments and the present value of the remaining minimum lease payments as of March 31, 2019, are as follows:

| <u>Years Ending March 31,</u> | <u>General Fund</u> | <u>Proprietary Fund</u> |
|---|--------------------------|-----------------------------|
| 2020 | \$ 68,293 | \$ 128,800 |
| 2021 | 68,313 | 128,838 |
| 2022 | 68,305 | 128,822 |
| 2023 | 66,506 | 125,428 |
| 2024 | 68,143 | 128,517 |
| Thereafter | <u>308,467</u> | <u>581,881</u> |
| | 648,027 | 1,222,286 |
| Less: amount representing interest | <u>97,129</u> | <u>183,184</u> |
| Present value of future minimum lease payments | <u><u>\$ 550,898</u></u> | <u><u>\$ 1,039,102</u></u> |

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

8. RESTRICTED CASH:

Restricted cash and investments at March 31, 2019, consisted of the following:

| Account | General Fund | Park Fund | Capital Projects Fund | Utility Fund | Total |
|--------------------------|-------------------|---------------|-----------------------|---------------------|---------------------|
| Municipal court | \$ 2,358 | \$ - | \$ - | \$ - | \$ 2,358 |
| Park | 168 | - | - | - | 168 |
| Fire | 6,529 | - | - | - | 6,529 |
| Police | 16,733 | - | - | - | 16,733 |
| Cemetery | 393,512 | - | - | - | 393,512 |
| Construction | 11,404 | - | - | - | 11,404 |
| Reserve for debt service | - | 117 | 358 | 1,707,670 | 1,708,145 |
| | <u>\$ 430,704</u> | <u>\$ 117</u> | <u>\$ 358</u> | <u>\$ 1,707,670</u> | <u>\$ 2,138,849</u> |

9. TAX REVENUES:

The tax revenue, including interest and penalties collected thereon, for the year ended March 31, 2019, is as follows:

| Type | General Fund | Special Revenue Funds |
|----------------------|---------------------|-----------------------|
| Property | \$ 268,076 | \$ - |
| Franchise | 177,186 | - |
| City sales | 717,744 | - |
| Capital improvement | - | 358,769 |
| Park sales | - | 358,763 |
| Transportation sales | - | 358,765 |
| Fire protection | - | 89,696 |
| PILOTS | 656,954 | - |
| | <u>\$ 1,819,960</u> | <u>\$ 1,165,993</u> |

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

9. TAX REVENUES (Continued):

The assessed valuation of the tangible property for the purpose of local taxation as of May 31, 2018, was as follows:

| | |
|-------------------|----------------------|
| Real estate | \$ 34,905,119 |
| Personal property | <u>7,834,620</u> |
| | <u>\$ 42,739,739</u> |

The tax levy per \$100 of assessed valuation of tangible real and personal property for the calendar year 2018 was as follows:

| | |
|---------------------------|------------------|
| General Fund | \$ 0.6025 |
| Parks and Recreation Fund | 0.0282 |
| Lake | <u>0.0122</u> |
| | <u>\$ 0.6429</u> |

Property taxes may attach as an enforceable lien on property as of January 1. Taxes are levied no later than November 1 and are due and payable at that time. All unpaid taxes levied by November 1 become delinquent January 1 of the following year.

10. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation, and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and no significant losses in the past three fiscal years.

CITY OF BUTLER, MISSOURI
NOTES TO FINANCIAL STATEMENTS

11. INTERFUND TRANSACTIONS:

Transfers during the year ended March 31, 2019, were as follows:

| | Transfers In | Transfers Out |
|-----------------------------------|-------------------|-------------------|
| General Fund | \$ 207,666 | \$ - |
| Special Revenue Funds: | | |
| Transportation Tax Fund | - | 68,750 |
| Park Fund | - | 131,099 |
| Fire Protection Fund | - | 36,321 |
| Capital Projects Fund | 70,968 | - |
| Proprietary Fund, Utility Fund | - | 42,464 |
| | <u>\$ 278,634</u> | <u>\$ 278,634</u> |

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations.

12. INTERGOVERNMENTAL REVENUE:

Intergovernmental revenue during the year ended March 31, 2019, consisted of the following:

| | General Fund |
|--|-------------------|
| State: | |
| Department of Transportation, Airport | \$ 258,692 |
| Department of Revenue: | |
| Motor Vehicle Fuel Tax | 169,929 |
| Motor Vehicle Fees | 7,638 |
| Other State Grants | 8,985 |
| | <u>\$ 445,244</u> |

CITY OF BUTLER, MISSOURI

NOTES TO FINANCIAL STATEMENTS

13. DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional.

Employees may contribute up to 25% of their annual base salary to a maximum limit of \$17,500 per year. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. Investments are managed by the plan's trustee, and the choice of the investment option(s) is made by the participants.

The City does not make a contribution for either full-time or part-time employees participating in the plan.

14. PLEDGED REVENUES:

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the Series 2001A and 2001B bonds that were issued in the amount of \$8,000,000. Proceeds from the bonds were used to fund the infrastructure for the water and sewer system. The bonds are payable from the water and sewer fund net revenues and are payable through 2023. The total interest and principal remaining to be paid on the bonds is \$2,144,000. Principal and interest paid for the current year is \$634,475.

15. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

For the year ended March 31, 2019, in violation of Missouri state statutes and the City's budgetary process, the City had actual expenditures in excess of budget in the Park Fund in the amount of \$596.

16. RELATED PARTY ACTIVITIES:

During April 2019 the City awarded their insurance contracts to various companies. A representative for one of the contracts awarded was later elected to the City Council.

17. EVALUATION OF SUBSEQUENT EVENTS:

The City has evaluated subsequent events through September 25, 2019, the date which the financial statements were available to be issued.

**CITY OF BUTLER, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
Last 4 Fiscal Years**

| <i>Fiscal year ending June 30,</i> | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | |
| Service Cost | \$ 157,878 | \$ 157,499 | \$ 154,178 | \$ 142,131 |
| Interest on the Total Pension Liability | 420,297 | 394,459 | 373,501 | 339,897 |
| Benefit Changes | - | - | - | 473,696 |
| Difference between expected and actual experience | 86,989 | 55,585 | (173,541) | (276,981) |
| Assumption Changes | - | - | 165,509 | - |
| Benefit Payments | (226,136) | (275,639) | (190,271) | (251,027) |
| Refunds | - | - | - | - |
| Net Change in Total Pension Liability | 439,028 | 331,904 | 329,376 | 427,716 |
| Total Pension Liability beginning | 5,830,743 | 5,498,839 | 5,169,463 | 4,741,747 |
| Total Pension Liability ending | \$ 6,269,771 | \$ 5,830,743 | \$ 5,498,839 | \$ 5,169,463 |
| Plan Fiduciary Net Position | | | | |
| Contributions-employer | \$ 206,934 | \$ 219,128 | \$ 214,126 | \$ 176,141 |
| Contributions-employee | - | - | - | - |
| Pension Plan Net Investment income (loss) | 738,758 | 629,515 | (18,120) | 99,053 |
| Benefit Payments | (226,136) | (275,639) | (190,271) | (251,027) |
| Refunds | - | - | - | - |
| Pension Plan Administrative expense | (7,427) | (7,079) | (6,813) | (7,829) |
| Other | 14,634 | 25,221 | 6,072 | (88,670) |
| Net Change in Plan Fiduciary Net Position | 726,763 | 591,146 | 4,994 | (72,332) |
| Plan Fiduciary Net Position beginning | 5,832,214 | 5,241,068 | 5,236,074 | 5,308,406 |
| Plan Fiduciary Net Position ending | \$ 6,558,977 | \$ 5,832,214 | \$ 5,241,068 | \$ 5,236,074 |
| Employer Net Pension (Asset) Liability | \$ (289,206) | \$ (1,471) | \$ 257,771 | \$ (66,611) |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability (asset) | 104.61% | 100.03% | 95.31% | 101.29% |
| Covered Payroll | \$ 1,733,482 | \$ 1,729,699 | \$ 1,708,840 | \$ 1,641,627 |
| Employer's Net Pension (Asset) Liability as a percentage of covered employee payroll | -16.68% | -0.09% | 15.08% | -4.06% |

Notes to schedule:

Only four years are being shown. As other years come available, they will be included until 10 years of data is shown.

CITY OF BUTLER, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution | \$ 204,697 | \$ 209,996 | \$ 208,731 | \$ 216,935 | \$ 163,498 | \$ 112,265 | \$ 112,277 | \$ 114,585 | \$ 119,473 | \$ 74,536 |
| Contributions in relation to the | | | | | | | | | | |
| actuarially determined contribution | 202,864 | 209,996 | 208,731 | 216,935 | 163,499 | 110,825 | 112,277 | 110,533 | 96,100 | 74,536 |
| Contribution deficiency (excess) | \$ 2,033 | \$ - | \$ - | \$ - | \$ (1) | \$ 1,440 | \$ - | \$ 4,052 | \$ 23,373 | \$ - |
| Covered payroll | \$ 1,780,556 | \$ 1,782,001 | \$ 1,766,038 | \$ 1,698,989 | \$ 1,648,484 | \$ 1,736,140 | \$ 1,738,145 | \$ 1,815,267 | \$ 1,823,793 | \$ 1,750,950 |
| Contributions as a percentage of | | | | | | | | | | |
| covered payroll | 11.38% | 11.78% | 11.82% | 12.77% | 9.92% | 6.38% | 6.46% | 6.09% | 5.27% | 4.26% |

Valuation date 2/28/2018

Notes

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

Methods and assumption used to determine contribution rates:

Actuarial cost method
Amortization method
Remaining amortization period
Asset valuation method
Inflation
Salary increases
Investment rate of return
Retirement age
Mortality

Entry age normal and modified terminal funding
A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years.
Multiple bases from 15 to 225 years
5 year smoothed market; 20% corridor
3.25% wage inflation; 2.5% price inflation
3.25% to 6.55% including wage inflation
7.25% net of investment expenses
Experience-based table of rate that are specific to the type of eligibility condition
RP-2014 mortality tables for males and females; adjusted for improvement back to the observation period base year of 2006. The base year for males and females was established to be 2017.
Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale.

Other information

None

**CITY OF BUTLER, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2019**

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|-------------------------|--------------|--|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 1,295,360 | \$ 1,295,360 | \$ 1,163,006 | \$ (132,354) |
| Licenses and permits | 22,150 | 22,150 | 49,003 | 26,853 |
| Intergovernmental | 716,871 | 716,871 | 445,244 | (271,627) |
| Charges for services | 174,500 | 174,500 | 172,533 | (1,967) |
| Fees and fines | 122,750 | 122,750 | 69,970 | (52,780) |
| Investment earnings | 440 | 440 | 1,471 | 1,031 |
| Payments in lieu of taxes | 656,954 | 656,954 | 656,954 | - |
| Other | 375,335 | 375,335 | 99,606 | (275,729) |
| | 3,364,360 | 3,364,360 | 2,657,787 | (706,573) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 721,498 | 721,498 | 633,649 | 87,849 |
| Police | 969,438 | 969,438 | 894,384 | 75,054 |
| Fire department | 233,401 | 233,401 | 237,928 | (4,527) |
| Street | 246,430 | 246,430 | 269,886 | (23,456) |
| Emergency management | 13,300 | 13,300 | 10,515 | 2,785 |
| Cemetery | 134,655 | 134,655 | 133,238 | 1,417 |
| Parks | 440,138 | 440,138 | 285,011 | 155,127 |
| Shop | 69,760 | 69,760 | 65,525 | 4,235 |
| Recreation and aquatics | 165,550 | 165,550 | 158,097 | 7,453 |
| Municipal Court | 95,911 | 95,911 | 78,433 | 17,478 |
| Capital outlay | 445,000 | 445,000 | 299,329 | 145,671 |
| | 3,535,081 | 3,535,081 | 3,065,995 | 469,086 |
| Deficiency of revenues over expenditures | (170,721) | (170,721) | (408,208) | (237,487) |
| OTHER FINANCING SOURCES, | | | | |
| Transfers in | 170,721 | 170,721 | 207,666 | 36,945 |
| Net change in fund balances | \$ - | \$ - | (200,542) | \$ (200,542) |
| Fund balances - beginning | | | 957,275 | |
| Fund balances - ending | | | \$ 756,733 | |

CITY OF BUTLER, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
TRANSPORTATION TAX FUND
FOR THE YEAR ENDED MARCH 31, 2019

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|------------------|-------------|------------------------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 369,000 | \$ 369,000 | \$ 358,765 | \$ (10,235) |
| Investment earnings | - | - | 32 | 32 |
| | 369,000 | 369,000 | 358,797 | (10,203) |
| EXPENDITURES: | | | | |
| Current, | | | | |
| Street | 75,000 | 75,000 | 12,164 | 62,836 |
| Capital outlay | 350,000 | 350,000 | - | 350,000 |
| | 425,000 | 425,000 | 12,164 | 412,836 |
| Excess (deficiency) of revenues over expenditures | (56,000) | (56,000) | 346,633 | 402,633 |
| OTHER FINANCING SOURCES, | | | | |
| Transfers out | - | - | (68,750) | 68,750 |
| Total other financing sources and uses | - | - | (68,750) | 68,750 |
| Net change in fund balances | \$ (56,000) | \$ (56,000) | 277,883 | \$ 333,883 |
| Fund balances - beginning | | | 491,364 | |
| Fund balances - ending | | | \$ 769,247 | |

CITY OF BUTLER, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
PARK FUND
FOR THE YEAR ENDED MARCH 31, 2019

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--------------------------------------|------------------|------------|------------------------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 369,000 | \$ 369,000 | \$ 358,763 | \$ (10,237) |
| Investment earnings | - | - | 33 | 33 |
| | 369,000 | 369,000 | 358,796 | (10,204) |
| EXPENDITURES, | | | | |
| Debt service: | | | | |
| Principal | 214,400 | 214,400 | 214,400 | - |
| Interest and other charges | 23,501 | 23,501 | 24,097 | (596) |
| | 237,901 | 237,901 | 238,497 | (596) |
| Excess of revenues over expenditures | 131,099 | 131,099 | 120,299 | (10,800) |
| OTHER FINANCING USES, | | | | |
| Transfers out | (131,099) | (131,099) | (131,099) | - |
| Net change in fund balances | \$ - | \$ - | (10,800) | \$ (10,800) |
| Fund balances - beginning | | | 299,055 | |
| Fund balances - ending | | | \$ 288,255 | |

CITY OF BUTLER, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
AIRPORT FUND
FOR THE YEAR ENDED MARCH 31, 2019

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--------------------------------------|------------------|---------------|------------------------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Charges for services | \$ 12,580 | \$ 12,580 | \$ 30,012 | \$ 17,432 |
| Other | <u>12,100</u> | <u>12,100</u> | <u>100</u> | <u>(12,000)</u> |
| | 24,680 | 24,680 | 30,112 | 5,432 |
| EXPENDITURES, | | | | |
| Current, Airport | <u>24,225</u> | <u>24,225</u> | <u>14,170</u> | <u>10,055</u> |
| Excess of revenues over expenditures | <u>455</u> | <u>455</u> | <u>15,942</u> | <u>15,487</u> |
| Net change in fund balances | <u>\$ 455</u> | <u>\$ 455</u> | 15,942 | <u>\$ 15,487</u> |
| Fund balances - beginning | | | <u>75,211</u> | |
| Fund balances - ending | | | <u>\$ 91,153</u> | |

CITY OF BUTLER, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
FIRE PROTECTION TAX FUND
FOR THE YEAR ENDED MARCH 31, 2019

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--------------------------------------|------------------|-----------|------------------------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 92,250 | \$ 92,250 | \$ 89,696 | \$ (2,554) |
| Investment earnings | - | - | 22 | 22 |
| Excess of revenues over expenditures | 92,250 | 92,250 | 89,718 | (2,532) |
| OTHER FINANCING USES, | | | | |
| Transfers out | (39,622) | (39,622) | (36,321) | (3,301) |
| Total other financing sources | (39,622) | (39,622) | (36,321) | (3,301) |
| Net change in fund balances | \$ 52,628 | \$ 52,628 | 53,397 | \$ (5,833) |
| Fund balances - beginning | | | 58,251 | |
| Fund balances - ending | | | \$ 111,648 | |

**CITY OF BUTLER, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED MARCH 31, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts, Budgetary Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Taxes | \$ 369,000 | \$ 369,000 | \$ 358,769 | \$ (10,231) |
| Investment earnings | - | - | 7,208 | 7,208 |
| | 369,000 | 369,000 | 365,977 | (3,023) |
| EXPENDITURES: | | | | |
| Current, | | | | |
| Capital outlay | 1,177,400 | 1,177,400 | 481,310 | 696,090 |
| Debt service: | | | | |
| Principal | 320,600 | 320,600 | 177,290 | 143,310 |
| Interest and other charges | 11,575 | 11,575 | 34,889 | (23,314) |
| Bond issuance costs | - | - | 12,688 | (12,688) |
| | 1,509,575 | 1,509,575 | 706,177 | 803,398 |
| Deficiency of revenues over expenditures | (1,140,575) | (1,140,575) | (340,200) | 800,375 |
| OTHER FINANCING SOURCES: | | | | |
| Proceeds from issuance of long-term debt | 1,141,400 | 1,141,400 | 575,153 | (566,247) |
| Transfers in | - | - | 70,968 | 70,968 |
| Net change in fund balances | \$ 825 | \$ 825 | 305,921 | \$ 305,096 |
| Fund balances - beginning | | | 148,454 | |
| Fund balances - ending | | | \$ 454,375 | |