

**CITY OF BUTLER, MISSOURI**

**AUDITED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
MARCH 31, 2010**

**TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

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

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John G. Daniel, CPA

• B.G. Wolfe, CPA

• Renda Armstrong, CPA

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and City Council  
City of Butler, Missouri

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Butler, Missouri as of and for the year ended March 31, 2010, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Butler, Missouri at March 31, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2010 on our consideration of the City of Butler's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. Management's written response to the significant deficiency identified in our audit have not been subjected to the auditing procedures applied in the audit and, accordingly, we express no opinion on them.

The City of Butler, Missouri has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements.

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

*DSWA Certified Public Accountants, P.C.*

Butler, Missouri  
July 1, 2010



**CITY OF BUTLER, MISSOURI  
STATEMENT OF NET ASSETS  
MARCH 31, 2010**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,638,437	\$ 605,520	\$ 2,243,957
Accrued interest receivable	6,367	-	6,367
Accounts and taxes receivable, net	280,876	439,484	720,360
Inventory	72,697	696,681	769,378
Prepaid insurance	33,014	20,798	53,812
Total current assets	<u>2,031,391</u>	<u>1,762,483</u>	<u>3,793,874</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	3,430,217	3,430,217
Due from other funds	-	295,000	295,000
Unamortized bond and capital lease costs, net	-	136,716	136,716
Capital assets:			
Land and easements	876,129	119,145	995,274
Buildings	4,224,134	1,601,332	5,825,466
Equipment and vehicles	1,712,017	5,283,533	6,995,550
Infrastructure	2,269,860	16,008,084	18,277,944
Accumulated depreciation	(2,944,733)	(9,304,161)	(12,248,894)
Total noncurrent assets	<u>6,137,407</u>	<u>17,569,866</u>	<u>23,707,273</u>
Total assets	<u>8,168,798</u>	<u>19,332,349</u>	<u>27,501,147</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	101,502	195,890	297,392
Accrued liabilities	-	31,059	31,059
Service deposits payable	-	148,648	148,648
Current portion of long-term obligations	180,945	429,000	609,945
Total current liabilities	<u>282,447</u>	<u>804,597</u>	<u>1,087,044</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	2,506,741	9,445,629	11,952,370
Due to other funds	295,000	-	295,000
Compensated absences	48,186	23,253	71,439
Total noncurrent liabilities	<u>2,849,927</u>	<u>9,468,882</u>	<u>12,318,809</u>
Total liabilities	<u>3,132,374</u>	<u>10,273,479</u>	<u>13,405,853</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,449,721	3,881,079	7,330,800
Restricted for:			
Other purposes	321,209	-	321,209
Unrestricted (deficit)	1,265,494	5,177,791	6,443,285
Total net assets	<u>\$ 5,036,424</u>	<u>\$ 9,058,870</u>	<u>\$ 14,095,294</u>

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

CITY OF BUTLER, MISSOURI  
STATEMENT OF ACTIVITIES  
MARCH 31, 2010

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Administrative	\$ 468,518	\$ 47,157	\$ 25,952	\$ -	\$ (395,409)	\$ -	\$ (395,409)
Airport	145,158	22,696	104,957	-	(17,505)	-	(17,505)
Cemetery	102,671	32,015	-	-	(70,656)	-	(70,656)
Code enforcement	32	-	-	-	(32)	-	(32)
Community development	27	-	-	-	(27)	-	(27)
Court	127,043	22,652	-	-	(104,391)	-	(104,391)
Emergency management	12,340	3,376	-	-	(8,964)	-	(8,964)
Fire	255,045	8,996	-	-	(246,049)	-	(246,049)
Industrial park	4,291	-	-	-	(4,291)	-	(4,291)
Parks	299,417	-	-	-	(299,417)	-	(299,417)
Police	907,523	130,496	-	-	(777,027)	-	(777,027)
Recreation and aquatics	162,229	72,772	-	-	(89,457)	-	(89,457)
Shop	48,472	-	-	-	(48,472)	-	(48,472)
Street	653,806	-	26,280	-	(627,526)	-	(627,526)
Debt service	127,422	-	-	-	(127,422)	-	(127,422)
TOTAL GOVERNMENTAL ACTIVITIES	3,313,994	340,160	157,189	-	(2,816,645)	-	(2,816,645)
Business-type activities:							
Utilities	7,070,575	6,660,207	-	-	-	(410,368)	(410,368)
TOTAL BUSINESS-TYPE ACTIVITIES	7,070,575	6,660,207	-	-	-	(410,368)	(410,368)
TOTAL GOVERNMENT	\$ 10,384,569	\$ 7,000,367	\$ 157,189	\$ -	(2,816,645)	(410,368)	(3,227,013)
General Revenues:							
Taxes:							
Ad valorem taxes					250,584	-	250,584
Sales taxes					1,297,541	-	1,297,541
Franchise taxes					196,778	-	196,778
Motor vehicle and gas taxes					170,843	-	170,843
Payment in lieu of tax					587,450	-	587,450
Other taxes					39,193	-	39,193
Investment earnings					13,166	79,568	92,734
Miscellaneous					54,505	19,272	73,777
Special item - Loss on sale of capital assets					(20,745)	-	(20,745)
Transfers:					94,916	(94,916)	-
Total general revenues and transfers					2,684,231	3,924	2,688,155
Change in net assets					(132,414)	(406,444)	(538,858)
Net assets-beginning					5,168,838	9,465,314	14,634,152
Net assets-ending					\$ 5,036,424	\$ 9,058,870	\$ 14,095,294

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

**CITY OF BUTLER, MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2010**

	General Fund	Transportation Tax Fund	Park Fund	Fire Protection Tax Fund	Airport Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 616,013	\$ 502,884	\$ 501,105	\$ 15,607	\$ 3,118	\$ -	\$ 1,638,727
Accrued interest receivable	6,367	-	-	-	-	-	6,367
Accounts and taxes receivable, net	181,771	44,162	44,157	10,786	-	-	280,876
Prepaid insurance	31,197	-	-	-	1,817	-	33,014
Inventory	72,697	-	-	-	-	-	72,697
Total assets	<u>\$ 908,045</u>	<u>\$ 547,046</u>	<u>\$ 545,262</u>	<u>\$ 26,393</u>	<u>\$ 4,935</u>	<u>\$ -</u>	<u>\$ 2,031,681</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 53,004	\$ 180	\$ -	\$ -	\$ 569	\$ -	\$ 53,753
Due to other funds	295,000	-	-	-	-	-	295,000
Accrued liabilities	95,935	-	-	-	-	-	95,935
Total liabilities	<u>443,939</u>	<u>180</u>	<u>-</u>	<u>-</u>	<u>569</u>	<u>-</u>	<u>444,688</u>
Fund balances:							
Reserved for:							
Other purposes	321,209	-	-	-	-	-	321,209
Unreserved, reported in:							
General fund	142,897	-	-	-	-	-	142,897
Special revenue funds	-	546,866	545,262	26,393	4,366	-	1,122,887
Total fund balances	<u>464,106</u>	<u>546,866</u>	<u>545,262</u>	<u>26,393</u>	<u>4,366</u>	<u>-</u>	<u>1,586,993</u>
Total liabilities and fund balances	<u>\$ 908,045</u>	<u>\$ 547,046</u>	<u>\$ 545,262</u>	<u>\$ 26,393</u>	<u>\$ 4,935</u>	<u>\$ -</u>	

**Reconciliation to Statement of Net Assets**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,137,407
The cost of the assets is \$9,082,139 and the accumulated depreciation is \$2,944,732.	
Payment from aquatic center reserve	(290)
Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,687,686)</u>
<b>Total net assets - governmental activities</b>	<u>\$ 5,036,424</u>

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

**CITY OF BUTLER, MISSOURI**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2010**

	General Fund	Transportation Tax Fund	Park Fund	Fire Protection Tax Fund	Airport Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>							
Property taxes	\$ 248,090	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 248,090
Franchise taxes	196,778	-	-	-	-	-	196,778
Sales taxes	610,703	305,352	305,217	76,269	-	-	1,297,541
Other taxes	799,980	-	-	-	-	-	799,980
Fines, forfeitures, and penalties	151,709	-	-	-	-	-	151,709
Licenses and permits	12,310	-	-	-	-	-	12,310
Federal and state grants	156,939	-	-	-	-	-	156,939
Donations received	13,743	-	-	-	-	-	13,743
Charges for goods & services	136,685	-	-	-	-	-	136,685
Rental revenue	1,990	-	-	-	22,696	-	24,686
Investment earnings	11,664	550	550	367	-	-	13,131
Miscellaneous	55,782	-	-	-	-	-	55,782
Total revenues	<u>2,396,373</u>	<u>305,902</u>	<u>305,767</u>	<u>76,636</u>	<u>22,696</u>	<u>-</u>	<u>3,107,374</u>
<b>EXPENDITURES</b>							
Current							
Administrative	534,210	-	-	-	-	-	534,210
Airport	77,864	-	-	-	29,097	-	106,961
Cemetery	100,119	-	-	-	-	-	100,119
Code enforcement	32	-	-	-	-	-	32
Community development	27	-	-	-	-	-	27
Court	127,043	-	-	-	-	-	127,043
Emergency management	7,743	-	-	-	-	-	7,743
Fire	221,444	-	-	73,702	-	-	295,146
Industrial park	338,683	-	-	-	-	-	338,683
Parks	217,883	-	2,299	-	-	-	220,182
Police	914,289	-	-	-	-	-	914,289
Recreation and aquatics	162,229	-	-	-	-	-	162,229
Shop	47,705	-	-	-	-	-	47,705
Street	315,791	293,170	-	-	-	-	608,961
Debt Service							
Principal and interest	-	-	229,798	-	-	-	229,798
Total expenditures	<u>3,065,062</u>	<u>293,170</u>	<u>232,097</u>	<u>73,702</u>	<u>29,097</u>	<u>-</u>	<u>3,693,128</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(668,689)</u>	<u>12,732</u>	<u>73,670</u>	<u>2,934</u>	<u>(6,401)</u>	<u>-</u>	<u>(585,754)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	165,896	-	-	-	-	-	165,896
Transfers out	-	-	(70,980)	-	-	-	(70,980)
Total other financing sources (uses)	<u>165,896</u>	<u>-</u>	<u>(70,980)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,916</u>
Net change in fund balances	(502,793)	12,732	2,690	2,934	(6,401)	-	(490,838)
Fund balance - beginning	966,899	534,134	542,572	23,459	10,767	-	2,077,831
Fund balances - ending	<u>\$ 464,106</u>	<u>\$ 546,866</u>	<u>\$ 545,262</u>	<u>\$ 26,393</u>	<u>\$ 4,366</u>	<u>\$ -</u>	<u>\$ 1,586,993</u>

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



CITY OF BUTLER, MISSOURI  
RECONCILIATION OF THE COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2010

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

**Net change in fund balances - Total governmental funds** \$ (490,838)

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

Capital outlays	\$ 64,900	
Loss on disposal of capital assets	(20,745)	
Payment from aquatic center reserve	(290)	
Depreciation expense	<u>(263,421)</u>	
		(219,556)

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

Principal paid on capital leases	<u>577,980</u>	
		<u>577,980</u>

**Change in net assets of governmental activities** \$ (132,414)

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



**CITY OF BUTLER, MISSOURI  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
MARCH 31, 2010**

	<b>Business-Type Activities - Enterprise Funds</b>
	<b>Utility Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 605,520
Utilities receivable, net	439,484
Inventory	696,681
Prepaid insurance	20,798
Total current assets	<u>1,762,483</u>
Noncurrent assets:	
Restricted cash and cash equivalents	3,430,217
Due from other funds	295,000
Unamortized bond and capital lease costs, net	136,716
Capital assets:	
Land and easements	119,145
Buildings	1,601,332
Equipment and vehicles	5,283,533
Infrastructure	16,008,084
Accumulated depreciation	<u>(9,304,161)</u>
Total noncurrent assets	<u>17,569,866</u>
Total assets	<u>19,332,349</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	195,890
Accrued expenses	31,059
Service deposits payable	148,648
Current portion of long-term obligations	429,000
Total current liabilities	<u>804,597</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	9,445,629
Compensated absences	23,253
Total noncurrent liabilities	<u>9,468,882</u>
Total liabilities	<u>10,273,479</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,881,079
Unrestricted (deficit)	5,177,791
Total net assets	<u>\$ 9,058,870</u>

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

**CITY OF BUTLER, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2010**

	<b>Business-Type Activities - Enterprise Funds</b>
	<b>Utility Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 6,579,642
Penalty and fees	80,565
Miscellaneous	19,272
Total operating revenues	<u>6,679,479</u>
<b>OPERATING EXPENSES</b>	
Salaries and wages	765,547
Employee benefits	217,983
Materials and supplies	210,536
Chemicals and lab supplies	150,314
Engineering	37,200
Gas and oil	43,001
Power purchased	3,370,755
General and administrative	20,527
Repairs and maintenance	176,017
Telephone and utilities	151,609
Sanitation	270,806
Insurance	63,189
Travel, meetings and dues	12,584
Professional services	34,691
Depreciation	652,355
Payment in lieu of tax	587,450
Miscellaneous	91,960
Total operating expenses	<u>6,856,524</u>
Income (loss) from operations	<u>(177,045)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	79,568
Interest expense	<u>(214,051)</u>
Total non-operating revenues (expenses)	<u>(134,483)</u>
Income (loss) before operating transfers	(311,528)
<b>OTHER FINANCING SOURCES (USES):</b>	
Transfers out	<u>(94,916)</u>
Total other financing sources (uses)	<u>(94,916)</u>
<b>CHANGE IN NET ASSETS</b>	(406,444)
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>9,465,314</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u>\$ 9,058,870</u>

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

**CITY OF BUTLER, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2010**

	<u>Utility Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 6,741,543
Payments to suppliers	(5,707,781)
Payments to employees	<u>(765,547)</u>
Net cash provided (used) by operations	<u>268,215</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Due to (from) other funds	(295,000)
Operating transfers in/(out)	(94,916)
Decrease in restricted cash	159,830
Increase in restricted cash/meter deposits	<u>(3,017)</u>
Net cash provided (used) by non-capital financing activities	<u>(233,103)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Payments on long-term obligations	(665,290)
Interest paid on long-term obligations	(214,051)
Cash paid for construction in progress	<u>(121,351)</u>
Net cash provided (used) by capital financing activities	<u>(1,000,692)</u>
<b>CASH FLOWS FROM CAPITAL INVESTING ACTIVITIES</b>	
Interest income	<u>79,568</u>
Net cash provided (used) by investing activities	<u>79,568</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(886,012)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,491,532</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 605,520</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Net income (loss) from operations	\$ (177,045)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation and amortization	652,355
Increase (decrease) in accounts payable and accrued expenses	(272,176)
Increase (decrease) in meter deposits	3,017
Decrease (increase) in receivables	<u>62,064</u>
Net cash provided (used) by operations	<u>\$ 268,215</u>

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

## CITY OF BUTLER, MISSOURI

### NOTES TO THE BASIC FINANCIAL STATEMENTS

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

##### **A. FINANCIAL REPORTING ENTITY**

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

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Butler (the primary government) and any component units. The criteria of GASB Statement No. 14, "The Financial Reporting Entity," and Statement No. 39, "Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14," are used to determine whether entities are to be included as component units of the City, and whether they should be reported as blended or discretely presented component units. There were no entities meeting these criteria during the year ended March 31, 2010.

##### **B. BASIS OF PRESENTATION**

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

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

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



## CITY OF BUTLER, MISSOURI

### NOTES TO THE BASIC FINANCIAL STATEMENTS

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

##### B. BASIS OF PRESENTATION (continued)

###### 1. Government-wide Financial Statements (continued)

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

###### 2. Fund Financial Statements

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled.

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

###### a. Governmental Funds

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

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

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

**2. Fund Financial Statements (continued)**

**b. Proprietary Funds**

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

**3. Major Funds**

The funds are further classified as major, as follows:

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



**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

**C. BASIS OF ACCOUNTING**

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

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

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

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

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

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

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

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

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

**D. ESTIMATES**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.



## **CITY OF BUTLER, MISSOURI**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

##### **E. BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

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

##### **F. INTERGOVERNMENTAL REVENUE**

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

##### **G. INVENTORIES**

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

## CITY OF BUTLER, MISSOURI

### NOTES TO THE BASIC FINANCIAL STATEMENTS

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

##### H. CAPITAL ASSETS

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

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

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

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

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

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

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

##### J. REVENUE RECOGNITION - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year. The general fund tax rate per \$100 of assessed valuation is \$.6455.



**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

**K. LIABILITY FOR COMPENSATED ABSENCES**

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

**2. CASH AND INVESTMENTS:**

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

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

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

At year-end, the bank balance of the City's deposits was \$2,218,496. Of this balance, \$363,073 was insured through federal deposit insurance and \$1,855,423 was collateralized with securities held by the pledging financial institution or its agent. The total market value of securities pledged for collateral at March 31, 2010 equaled \$2,435,833. At March 31, 2010 all deposits in excess of federal deposit insurance were fully collateralized.

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**3. CAPITAL ASSETS:**

The capital assets of the proprietary funds at March 31, 2010 are as follows:

	Balance March 31, 2009	Additions	Retirements	Balance March 31, 2010
Utility Fund				
Land	\$ 119,145	-	-	\$ 119,145
Construction in progress	106,463	-	(106,463)	-
Furniture and equipment	4,376,699	227,814	-	4,604,513
Heavy equipment	366,595	-	-	366,595
Buildings	1,601,332	-	-	1,601,332
Vehicles	312,425	-	-	312,425
Infrastructure	16,008,084	-	-	16,008,084
Total	22,890,743	227,814	(106,463)	23,012,094
Accumulated depreciation				
Utility Fund	(8,651,806)	(652,355)	-	(9,304,161)
Net fixed assets	<u>\$ 14,238,937</u>	<u>\$ (424,541)</u>	<u>\$ (106,463)</u>	<u>\$ 13,707,933</u>

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

The capital assets of the governmental funds at March 31, 2010 are as follows:

	<u>March 31, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2010</u>
General Fund				
Land	\$ 448,629	-	-	\$ 448,629
Buildings and land improvements	4,103,110	-	-	4,103,110
Furniture, machinery, and equipment	1,717,811	64,900	(91,694)	1,691,017
Infrastructure	567,940	-	-	567,940
Airport Fund				
Buildings	121,024	-	-	121,024
Land	427,500	-	-	427,500
Equipment	21,000	-	-	21,000
Infrastructure	<u>1,701,920</u>	<u>-</u>	<u>-</u>	<u>1,701,920</u>
Total	<u>9,108,934</u>	<u>64,900</u>	<u>(91,694)</u>	<u>9,082,140</u>
Accumulated depreciation				
General Fund	(1,916,926)	(225,224)	70,949	(2,071,201)
Airport Fund	<u>(835,335)</u>	<u>(38,197)</u>	<u>-</u>	<u>(873,532)</u>
Total	<u>(2,752,261)</u>	<u>(263,421)</u>	<u>70,949</u>	<u>(2,944,733)</u>
Net fixed assets	<u>\$ 6,356,673</u>	<u>\$ (198,521)</u>	<u>\$ (20,745)</u>	<u>\$ 6,137,407</u>

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

Depreciation expense was charged as direct expense as follows:

Business-type activities:	
Water	\$ 313,463
Sewer	137,604
Electric	201,288
	<u>\$ 652,355</u>
Governmental activities:	
Administration	\$ 10,316
Airport	38,197
Cemetery	2,552
Emergency management	4,597
Fire	36,379
Parks	93,034
Police	32,734
Shop	767
Street	44,845
	<u>\$ 263,421</u>

**4. LONG-TERM OBLIGATIONS:**

The following is a summary of changes in long-term liabilities of the City for the year ended March 31, 2010:

	Balance March 31, 2009	Additions	(Reductions)	Balance March 31, 2010
<u>Governmental Type Activities</u>				
Capital Lease obligations	\$ 3,265,666	\$ -	\$ (577,980)	\$ 2,687,686
Compensated absences, as restated - see Note 7	48,186	-	-	48,186
Total	<u>\$ 3,313,852</u>	<u>\$ -</u>	<u>\$ (577,980)</u>	<u>\$ 2,735,872</u>
<u>Business -Type Activities</u>				
Capital Lease obligations	\$ 1,232,600	\$ -	\$ (149,600)	\$ 1,083,000
Revenue bonds payable	9,307,320	-	(515,690)	8,791,630
Compensated Aabsences	23,253	-	-	23,253
Total	<u>\$ 10,563,173</u>	<u>\$ -</u>	<u>\$ (665,290)</u>	<u>\$ 9,897,883</u>

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

**Governmental Activities:**

Capital Leases

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

\$ 2,510,000

The City entered into a lease agreement with the Missouri Association of Municipal Utilities on July 19, 2005 to acquire a building to be used as the City Hall for a total cost of \$252,000. \$151,200 of this amount was recorded as a capital lease obligation in the General Fund and \$100,800 was recorded as a capital lease obligation in the Utility Fund. The lease bears variable interest, currently 3% per annum, with a maturity date of July 19, 2015. The lease was paid off during the fiscal year ending March 31, 2010.

-

The City entered into a lease agreement with a bank for \$348,000 on August 29, 2007 with the Industrial Development Authority of the City of Butler to finance improvements to a speculative industrial building. The lease bears interest at 8% per annum, with principal and interest due March 1 and September 1, and a maturity date of September 1, 2017. The lease was paid off during the fiscal year ending March 31, 2010.

-

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

177,686

Total Capital Leases

\$ 2,687,686



**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

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

Year ending March 31,	Principal	Interest	Total
2011	\$ 180,945	\$ 128,682	\$ 309,627
2012	194,492	120,420	314,912
2013	177,249	111,692	288,941
2014	150,000	105,153	255,153
2015	165,000	98,478	263,478
2016 - 2020	1,055,000	367,377	1,422,377
2021 - 2022	765,000	64,765	829,765
	<u>\$ 2,687,686</u>	<u>\$ 996,567</u>	<u>\$ 3,684,253</u>

**Business Type Activities:**

**Capital Leases**

The City entered into a lease agreement with the Missouri Association of Municipal Utilities on July 19, 2005 to acquire a building to be used as the City Hall for a total cost of \$252,000. \$151,200 of this amount was recorded as a capital lease obligation in the General Fund and \$100,800 was recorded as a capital lease obligation in the Utility Fund. The lease bears variable interest, currently 3% per annum, with a maturity date of July 19, 2015. The lease was paid off during the fiscal year ending March 31, 2010.

\$ -

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

1,083,000

Total Capital Leases

\$ 1,083,000



**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

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

Year ending March 31,	Principal	Interest	Total
2011	\$ 84,000	\$ 50,778	\$ 134,778
2012	88,000	46,803	134,803
2013	96,000	42,391	138,391
2014	96,000	42,872	138,872
2015	102,000	33,283	135,283
2016 - 2020	582,000	87,962	669,962
2021	35,000	655	35,655
	<u>\$ 1,083,000</u>	<u>\$ 304,744</u>	<u>\$ 1,387,744</u>

**Revenue Bonds**

The City issued the \$3,000,000 Series 2001A Waterworks and Sewerage System Revenue Bonds - Clean Water Project, dated July 1, 2001. The bonds are secured by system revenues. The bonds bear interest from 3.0% to 5.75% per annum and mature on July 1, 2023. \$ 2,260,000

The City issued the \$5,000,000 Series 2001B Waterworks and Sewerage System Revenue Bonds - Drinking Water Project, dated July 1, 2001. The bonds are secured by system revenues. The bonds bear interest from 3.0% to 5.75% per annum and mature on July 1, 2022. 3,550,000

Total	5,810,000
Unamortized premium on bonds	<u>215,272</u>
Carrying value of revenue bonds	<u>\$ 6,025,272</u>

Amortization of bond premium, which is recorded as a reduction in interest expense on the bonds, was \$17,573 for the fiscal year ended March 31, 2010.

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

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

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

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

2011	\$ 345,000	\$ 290,463	\$ 635,463
2012	360,000	274,206	634,206
2013	380,000	256,793	636,793
2014	400,000	253,831	653,831
2015	425,000	213,659	638,659
2016 - 2020	2,480,000	692,944	3,172,944
2021 - 2023	<u>1,420,000</u>	<u>89,250</u>	<u>1,509,250</u>
	<u>\$ 5,810,000</u>	<u>\$ 2,071,146</u>	<u>\$ 7,881,146</u>

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

SRF loans payable under the program:

Series 2001A Clean Water Project	\$ 1,515,568
Series 2001B Drinking Water Project	<u>1,250,789</u>
	<u>\$ 2,766,357</u>

Article VI, Section 26 (b) and (c), Constitution of Missouri, limits the outstanding amount of general obligation debt of a City to 10% of the assessed valuation of tangible property of the City, plus, under Article VI, Section 26 (d) and (e), another 10% for the purpose of acquiring right of way, construction, extending and improving streets and/or sewer systems, and purchase or construction of water and electric plants for a total of 20%. The legal debt margin of the City at March 31, 2010, is computed as follows:

2009 assessed valuation	<u>\$ 41,889,201</u>
Article VI, Section 26 (b) and (c) – 10%	4,188,920
Article VI, Section 26 (d) and (e) – 10%	<u>4,188,920</u>
Constitutional debt limit	8,377,840
General obligation debt	<u>-0-</u>
Legal debt margin	<u>\$ 8,377,840</u>

**CITY OF BUTLER, MISSOURI**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**5. DEFINED BENEFIT PENSION PLAN:**

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

The contribution requirements of plan members and the employer are governed by the plan document, which may be amended by the LAGERS Board of Trustees. Plan members do contribute toward the retirement plan. The City's required contribution for the year ended March 31, 2010 was \$164,293 based on contributions of 7.8% of general wages, 9.4% of police wages and 10.5% of fire wages. The City is required to contribute the amounts necessary to fund the System, using the actuarial basis specified by the System.

**6. CONTINGENT LIABILITIES:**

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

**7. RESTATEMENT TO BEGINNING FUND BALANCE:**

The following discloses the restatement of fund balance as of the beginning of the fiscal year:

Fund balance, beginning of year, as previously stated	\$ 5,217,024
Decrease due to omission of accrued vacation pay for the fiscal year ended March 31, 2009	<u>(48,186)</u>
Fund balance, beginning of year, as restated	<u>\$ 5,168,838</u>



**CITY OF BUTLER, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2010**

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
			GAAP	Budget	Budget	Final Budget
	Original	Final	Basis	Basis	Basis	Positive (Negative)
<b>REVENUES</b>						
Taxes						
Ad valorem taxes	\$ 244,500	\$ 244,500	\$ 248,090	\$ -	\$ 248,090	\$ 3,590
Payment-in-lieu of tax	615,800	615,800	587,450	-	587,450	(28,350)
Sales tax	625,000	625,000	610,703	-	610,703	(14,297)
State motor fuel tax	188,000	188,000	170,843	-	170,843	(17,157)
Franchise taxes	275,000	275,000	196,778	-	196,778	(78,222)
Railroad and utility taxes	2,500	2,500	2,356	-	2,356	(144)
Financial institution tax	500	500	-	-	-	(500)
Telecommunications tax	-	-	5,661	-	5,661	5,661
Other taxes	23,250	23,250	33,670	-	33,670	10,420
	<u>1,974,550</u>	<u>1,974,550</u>	<u>1,855,551</u>	<u>-</u>	<u>1,855,551</u>	<u>(118,999)</u>
Licenses and Permits						
Business licenses	8,500	8,500	8,212	-	8,212	(288)
Other	5,400	5,400	4,098	-	4,098	(1,302)
	<u>13,900</u>	<u>13,900</u>	<u>12,310</u>	<u>-</u>	<u>12,310</u>	<u>(1,590)</u>
Intergovernmental Revenues						
Federal	416,700	416,700	131,237	-	131,237	(285,463)
State	500	500	25,702	-	25,702	25,202
	<u>417,200</u>	<u>417,200</u>	<u>156,939</u>	<u>-</u>	<u>156,939</u>	<u>(260,261)</u>
Charges for Services						
Cemetery	47,000	47,000	32,015	-	32,015	(14,985)
Fire	10,400	10,400	8,996	-	8,996	(1,404)
Recreation and aquatics	77,600	77,600	72,772	-	72,772	(4,828)
Emergency management	37,075	37,075	20,912	-	20,912	(16,163)
Rental income	600	600	1,990	-	1,990	1,390
Fines and forfeitures	187,650	187,650	151,709	-	151,709	(35,941)
Other	2,000	2,000	1,990	-	1,990	(10)
	<u>362,325</u>	<u>362,325</u>	<u>290,384</u>	<u>-</u>	<u>290,384</u>	<u>(71,941)</u>
Miscellaneous						
Interest	12,660	12,660	11,664	-	11,664	(996)
Donations and other contributions	11,000	11,000	13,743	-	13,743	2,743
Sale of property	18,000	18,000	24,963	-	24,963	6,963
Other	98,630	98,630	30,819	295,000	325,819	227,189
	<u>140,290</u>	<u>140,290</u>	<u>81,189</u>	<u>295,000</u>	<u>376,189</u>	<u>235,899</u>
TOTAL REVENUES	<u>2,908,265</u>	<u>2,908,265</u>	<u>2,396,373</u>	<u>295,000</u>	<u>2,691,373</u>	<u>(216,892)</u>

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

CITY OF BUTLER, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2010

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	Positive
						(Negative)
EXPENDITURES						
Current						
Administrative	464,016	464,016	534,210	(94,916)	439,294	(24,722)
Airport	90,000	90,000	77,864	-	77,864	(12,136)
Cemetery	112,874	112,874	100,119	-	100,119	(12,755)
Code enforcement	15,750	15,750	32	-	32	(15,718)
Community development	23,800	23,800	27	-	27	(23,773)
Court	146,012	146,012	127,043	-	127,043	(18,969)
Emergency management	10,950	10,950	7,743	-	7,743	(3,207)
Fire	268,973	268,973	221,444	-	221,444	(47,529)
Industrial park	72,050	72,050	338,683	-	338,683	266,633
Park maintenance	282,035	282,035	217,883	-	217,883	(64,152)
Police	956,190	956,190	914,289	-	914,289	(41,901)
Recreation and aquatics	161,882	161,882	162,229	-	162,229	347
Shop	59,749	59,749	47,705	-	47,705	(12,044)
Street	665,927	665,927	315,791	-	315,791	(350,136)
TOTAL EXPENDITURES	<u>3,330,208</u>	<u>3,330,208</u>	<u>3,065,062</u>	<u>(94,916)</u>	<u>2,970,146</u>	<u>(360,062)</u>
(DEFICIT) OF REVENUES						
OVER EXPENDITURES	<u>(421,943)</u>	<u>(421,943)</u>	<u>(668,689)</u>	<u>389,916</u>	<u>(278,773)</u>	<u>143,170</u>
OTHER FINANCING SOURCES (USES)						
Operating transfer in	-	-	165,896	(165,896)	-	-
TOTAL OTHER FINANCING						
SOURCES (USES)	-	-	165,896	(165,896)	-	-
EXCESS OF REVENUES AND						
OTHER SOURCES OVER						
EXPENDITURES AND OTHER (USI	(421,943)	(421,943)	(502,793)	224,020	(278,773)	143,170
FUND BALANCE, April 1	<u>966,899</u>	<u>966,899</u>	<u>966,899</u>	<u>-</u>	<u>966,899</u>	<u>-</u>
FUND BALANCE, March 31	<u>\$ 544,956</u>	<u>\$ 544,956</u>	<u>\$ 464,106</u>	<u>\$ 224,020</u>	<u>\$ 688,126</u>	<u>\$ 143,170</u>

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

**CITY OF BUTLER, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - TRANSPORTATION TAX FUND**  
**FOR THE YEAR ENDED MARCH 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Adjustments</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Budget</u>	<u>Budget</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Basis</u>	<u>Basis</u>	<u>Positive</u>
						<u>(Negative)</u>
REVENUES						
Taxes						
Sales tax	\$ 300,000	\$ 300,000	\$ 305,352	\$ -	\$ 305,352	\$ 5,352
Miscellaneous						
Interest	580	580	550	-	550	(30)
TOTAL REVENUES	<u>300,580</u>	<u>300,580</u>	<u>305,902</u>	<u>-</u>	<u>305,902</u>	<u>5,322</u>
EXPENDITURES						
Current						
Street	601,147	601,147	293,170	-	293,170	(307,977)
TOTAL EXPENDITURE	<u>601,147</u>	<u>601,147</u>	<u>293,170</u>	<u>-</u>	<u>293,170</u>	<u>(307,977)</u>
EXCESS OF REVENUES						
OVER EXPENDITURES	<u>(300,567)</u>	<u>(300,567)</u>	<u>12,732</u>	<u>-</u>	<u>12,732</u>	<u>313,299</u>
FUND BALANCE, April 1	534,134	534,134	534,134	-	534,134	-
FUND BALANCE, March 31	<u>\$ 233,567</u>	<u>\$ 233,567</u>	<u>\$ 546,866</u>	<u>\$ -</u>	<u>\$ 546,866</u>	<u>\$ 313,299</u>

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

CITY OF BUTLER, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - PARK AND STORM WATER FUND  
FOR THE YEAR ENDED MARCH 31, 2010

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	Positive
						(Negative)
REVENUES						
Taxes						
Sales tax	\$ 300,000	\$ 300,000	\$ 305,217	\$ -	\$ 305,217	\$ 5,217
Miscellaneous						
Interest	580	580	550	-	550	(30)
TOTAL REVENUES	300,580	300,580	305,767	-	305,767	5,187
EXPENDITURES						
Current						
Other operating expenditures	79,380	79,380	2,299	70,980	73,279	(6,101)
Debt Service						
Principal and interest	223,700	223,700	229,798	-	229,798	6,098
TOTAL EXPENDITURES	303,080	303,080	232,097	70,980	303,077	(3)
EXCESS (DEFICIT) OF REVENUES						
OVER EXPENDITURES	(2,500)	(2,500)	73,670	(70,980)	2,690	5,190
OTHER FINANCING SOURCES (USES)						
Operating transfer out	-	-	(70,980)	70,980	-	-
TOTAL OTHER FINANCING						
SOURCES (USES)	-	-	(70,980)	70,980	-	-
EXCESS OF REVENUES AND						
OTHER SOURCES OVER						
EXPENDITURES AND OTHER (USES)	(2,500)	(2,500)	2,690	-	2,690	5,190
FUND BALANCE, April 1	542,572	542,572	542,572	-	542,572	-
FUND BALANCE, March 31	\$ 540,072	\$ 540,072	\$ 545,262	\$ -	\$ 545,262	\$ 5,190

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

CITY OF BUTLER, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - AIRPORT FUND  
FOR THE YEAR ENDED MARCH 31, 2010

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	Positive
						(Negative)
REVENUES						
Charges for services						
Rental income	\$ 21,830	\$ 21,830	\$ 22,696	\$ -	\$ 22,696	\$ 866
Miscellaneous						-
Other	150	150	-	-	-	(150)
TOTAL REVENUES	21,980	21,980	22,696	-	22,696	716
EXPENDITURES						
Current						
Other operating expenditures	19,575	28,575	29,097	-	29,097	522
TOTAL EXPENDITURES	19,575	28,575	29,097	-	29,097	522
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	2,405	(6,595)	(6,401)	-	(6,401)	194
FUND BALANCE, April 1	10,767	10,767	10,767	-	10,767	-
FUND BALANCE, March 31	\$ 13,172	\$ 4,172	\$ 4,366	\$ -	\$ 4,366	\$ 194

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



CITY OF BUTLER, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - FIRE PROTECTION TAX FUND  
FOR THE YEAR ENDED MARCH 31, 2010

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	Positive
						(Negative)
REVENUES						
Taxes						
Sales tax	\$ 75,000	\$ 75,000	\$ 76,269	\$ -	\$ 76,269	\$ 1,269
Miscellaneous						
Interest	116	116	367	-	367	251
TOTAL REVENUES	75,116	75,116	76,636	-	76,636	1,520
EXPENDITURES						
Current						
Fire	73,800	73,800	73,702	-	73,702	(98)
TOTAL EXPENDITURES	73,800	73,800	73,702	-	73,702	(98)
EXCESS (DEFICIT) OF REVENUES						
OVER EXPENDITURES	1,316	1,316	2,934	-	2,934	1,618
FUND BALANCE, April 1	23,459	23,459	23,459	-	23,459	-
FUND BALANCE, March 31	\$ 24,775	\$ 24,775	\$ 26,393	\$ -	\$ 26,393	\$ 1,618

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

**CITY OF BUTLER, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - UTILITY FUND**  
**FOR THE YEAR ENDED MARCH 31, 2010**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Adjustments</b>	<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>GAAP</b>	<b>Budget</b>	<b>Budget</b>	<b>Final Budget</b>
			<b>Basis</b>	<b>Basis</b>	<b>Basis</b>	<b>Positive</b>
						<b>(Negative)</b>
<b>REVENUES</b>						
Charges for services						
Water	\$ 1,233,000	\$ 1,498,500	\$ 1,052,035	\$ -	\$ 1,052,035	\$ (446,465)
Sewer	813,000	624,000	768,341	-	768,341	144,341
Electric	5,971,500	5,116,000	4,736,456	-	4,736,456	(379,544)
Penalty and fees	98,000	20,500	80,565	-	80,565	60,065
Other	21,000	875,000	21,000	-	21,000	(854,000)
Miscellaneous						
Interest	55,564	57,564	79,568	(9,185)	70,383	12,819
Sale of property	2,500	1,500	119	-	119	(1,381)
Other	17,000	16,000	20,963	-	20,963	4,963
TOTAL REVENUES	<u>8,211,564</u>	<u>8,209,064</u>	<u>6,759,047</u>	<u>(9,185)</u>	<u>6,749,862</u>	<u>(1,459,202)</u>
<b>EXPENDITURES</b>						
Administration	2,165,355	2,165,355	1,123,452	886,194	2,009,646	(155,709)
Electric plant	4,485,093	4,485,093	3,556,575	-	3,556,575	(928,518)
Electric transportation and distribution	471,710	471,710	367,510	-	367,510	(104,200)
Sanitation	253,700	253,700	270,806	-	270,806	17,106
Sewer collection	227,465	227,465	150,067	22,129	172,196	(55,269)
Shop	38,651	38,651	37,135	-	37,135	(1,516)
Water plant	542,187	542,187	502,535	-	502,535	(39,652)
Water transportation and distribution	264,669	264,669	197,342	99,222	296,564	31,895
Waste water treatment plant	250,534	250,534	212,798	-	212,798	(37,736)
Depreciation expense	-	-	652,355	(652,355)	-	-
TOTAL EXPENDITURES	<u>8,699,364</u>	<u>8,699,364</u>	<u>7,070,575</u>	<u>355,190</u>	<u>7,425,765</u>	<u>(1,273,599)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(487,800)</u>	<u>(490,300)</u>	<u>(311,528)</u>	<u>(364,375)</u>	<u>(675,903)</u>	<u>(185,603)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfer in	-	2,500	-	-	-	(2,500)
Operating transfer out	-	-	(94,916)	94,916	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>2,500</u>	<u>(94,916)</u>	<u>94,916</u>	<u>-</u>	<u>(2,500)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	<u>(487,800)</u>	<u>(487,800)</u>	<u>(406,444)</u>	<u>(269,459)</u>	<u>(675,903)</u>	<u>(188,103)</u>
FUND BALANCE, April 1	<u>9,465,317</u>	<u>9,465,317</u>	<u>9,465,317</u>	<u>-</u>	<u>9,465,317</u>	<u>-</u>
FUND BALANCE, March 31	<u>\$ 8,977,517</u>	<u>\$ 8,977,517</u>	<u>\$ 9,058,873</u>	<u>\$ (269,459)</u>	<u>\$ 8,789,414</u>	<u>\$ (188,103)</u>

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

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

The Honorable Mayor and City Council  
City of Butler, Missouri

We have audited the financial statements of the City of Butler, Missouri as of and for the year ended March 31, 2010, and have issued our report thereon dated July 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we did identify a deficiency in internal control over financial reporting that we consider to be a significant deficiency, as defined above, which is described in the accompanying Schedule of Findings and Responses as item 10-01. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Butler, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that would be required to be reported under *Government Auditing Standards* that are discussed in the Statement of Findings and Responses as 10-02 and 10-03.

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

We noted certain matters that we reported to the management of the City of Butler, Missouri in a separate letter dated July 1, 2010.

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

*DCWH Certified Public Accountants, P.C.*

Butler, Missouri  
July 1, 2010



CITY OF BUTLER, MISSOURI

SCHEDULE OF FINDINGS AND RESPONSES – CURRENT YEAR

FOR THE YEAR ENDED MARCH 31, 2010

FINANCIAL STATEMENT FINDINGS

**10-01 Lack of Adequate Segregation of Duties**

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

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

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

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

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

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

**CITY OF BUTLER, MISSOURI**  
**SCHEDULE OF FINDINGS AND RESPONSES – CURRENT**  
**FOR THE YEAR ENDED MARCH 31, 2010**

**COMPLIANCE AND OTHER MATTERS**

**10-02 Budget Compliance**

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

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

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

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

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

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

CITY OF BUTLER, MISSOURI

SCHEDULE OF FINDINGS AND RESPONSES – CURRENT

FOR THE YEAR ENDED MARCH 31, 2010

**10-03 Required Publications**

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

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

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

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

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

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

**CITY OF BUTLER, MISSOURI**  
**SUMMARY OF PRIOR YEAR FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED MARCH 31, 2010**

**FINANCIAL STATEMENT FINDINGS**

**09-01 Lack of Adequate Segregation of Duties**

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

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

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

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

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