CITY OF BUTLER, MISSOURI

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
MARCH 31, 2016

CITY OF BUTLER, MISSOURI

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FINANCIAL SECTION

CITY OF BUTLER, MISSOURI

Principal Officials

MAYOR/CITY COUNCIL

Don Malan	Mayor
Jim Garnett	Council Member
Brian Phillips	Council Member
Mike Irick	Council Member
Gayle Stark	Council Member
Craig Irwin	Council Member
Terry Agnew	Council Member
Gayle Cook	Council Member
Carolyn Jett	Council Member

ADMINISTRATION

Casey Koehn	City Administrator
Corey Snead	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, as of March 31, 2016, and for the year then ended, 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 of Butler, Missouri'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, 2016, 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 budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 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 of Butler, Missouri'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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Troutt, Beeman & Co., P.C.

Harrisonville, Missouri
December 20, 2016

CITY OF BUTLER, MISSOURI
STATEMENT OF NET POSITION
MARCH 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and investments	$ 1,639,818	$ -	$ 1,639,818
Cash and investments-restricted	410,655	2,559,686	2,970,341
Taxes receivable, net	331,603	-	331,603
Due from other funds	17,445	-	17,445
Accounts receivable	36,424	761,460	797,884
Other receivables	2,046	19,329	21,375
Inventories	50,078	578,137	628,215
Prepaid expenses	13,468	8,979	22,447
Net pension asset	170,546	-	170,546
Capital assets:			
Land	753,831	119,145	872,976
Construction in process	8,717	-	8,717
Buildings and land improvements	4,233,086	1,601,332	5,834,418
Furniture and equipment	2,556,203	5,698,329	8,254,532
Infrastructure	4,239,411	17,196,688	21,436,099
Less: accumulated depreciation	(4,505,466)	(13,142,286)	(17,647,752)
Total capital assets	7,285,782	11,473,208	18,758,990
Total assets	9,957,865	15,400,799	25,358,664
DEFERRED OUTFLOWS OF RESOURCES			
Pension--related amounts	272,158	117,516	389,674
Total assets and deferred outflows of resources	10,230,023	15,518,315	25,748,338
LIABILITIES			
Bank overdraft	-	153,097	153,097
Accounts payable and accrued expenses	87,614	457,538	545,152
Salaries and benefits payable	99,032	53,128	152,160
Liabilities payable from restricted assets	-	193,465	193,465
Other liabilities	1,050	13,367	14,417
Long-term liabilities:			
Due within one year:			
Bonds, capital leases, and contracts	401,419	673,915	1,075,334
Accrued interest	4,803	44,580	49,383
Due in more than one year:			
Net pension liability	-	103,935	103,935
Bonds, capital leases, and contracts	2,176,369	5,707,214	7,883,583
Total liabilities	2,770,287	7,400,239	10,170,526
DEFERRED INFLOWS OF RESOURCES			
Pension--related amounts	195,715	28,043	223,758
Property taxes	14,417	-	14,417
Total deferred inflows of resources	210,132	28,043	238,175
NET POSITION			
Net investment in capital assets	4,707,994	6,816,602	11,524,596
Restricted for:			
Cemetery perpetual care	372,623	-	372,623
Debt service	-	530,544	530,544
Fire protection	135,421	-	135,421
Parks and recreation	288,960	-	288,960
Street	291,208	-	291,208
Unrestricted	1,453,398	742,887	2,196,285
Total net position	$ 7,249,604	$ 8,090,033	$ 15,339,637
Total liabilities, deferred inflows and net position	$ 10,230,023	$ 15,518,315	$ 25,748,338

See accompanying notes.

CITY OF BUTLER, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2016

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 969,396	$ 36,534	$ -	$ 177,421	$ (755,441)	$ -	$ (755,441)
Police	956,731	100,279	-	-	(856,452)	-	(856,452)
Fire department	245,623	13,898	8,125	-	(223,600)	-	(223,600)
Street	376,159	-	170,169	-	(205,990)	-	(205,990)
Emergency management	7,879	-	16,678	-	8,799	-	8,799
Cemetery	122,336	40,282	-	-	(82,054)	-	(82,054)
Parks	329,482	-	-	-	(329,482)	-	(329,482)
Shop	63,099	-	-	-	(63,099)	-	(63,099)
Recreation and aquatics	151,392	83,135	-	-	(68,257)	-	(68,257)
Municipal court	112,301	8,740	-	-	(103,561)	-	(103,561)
Airport	71,682	32,859	-	197,075	158,252	-	158,252
Interest on long-term debt	67,120	-	-	-	(67,120)	-	(67,120)
Bond issuance costs	81,922	-	-	-	(81,922)	-	(81,922)
Total governmental activities	3,555,122	315,727	194,972	374,496	(2,669,927)	-	(2,669,927)
Business-type activities,							
Water, sewer, electric, and trash	7,739,733	7,115,305	-	-	-	(624,428)	(624,428)
Total business-type activities	7,739,733	7,115,305	-	-	-	(624,428)	(624,428)
Total primary government	$ 11,294,855	$ 7,431,032	$ 194,972	$ 374,496	(2,669,927)	(624,428)	(3,294,355)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					254,000	-	254,000
Property taxes, levied for specific purposes					13,707	-	13,707
Franchise taxes and other taxes					178,360	-	178,360
Sales taxes					2,393,355	-	2,393,355
Investment earnings					627	84,858	85,485
Miscellaneous					350,861	43,049	393,910
Transfers					(89,104)	89,104	-
Total general revenues and transfers					3,101,806	217,011	3,318,817
Change in net position					431,879	(407,417)	24,462
Net position - beginning, as restated					6,817,725	8,497,450	15,315,175
Net position - ending					$ 7,249,604	$ 8,090,033	$ 15,339,637

See accompanying notes.

CITY OF BUTLER, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2016

	General Fund	Transportation Tax Fund	Park Fund	Airport Fund	Capital Projects	Fire Protection	Total Governmental Funds
ASSETS							
Pooled cash and investments	$ 790,092	$ 249,506	$ 241,471	$ 48,573	$ 187,971	$ 122,205	$ 1,639,818
Cash and investments-restricted	407,644	-	117	-	2,894	-	410,655
Taxes receivable, net	159,895	52,853	52,852	-	52,787	13,216	331,603
Due from other funds	17,445	-	-	-	-	-	17,445
Accounts receivable	36,424	-	-	-	-	-	36,424
Other receivables	2,046						2,046
Inventories	50,078	-	-	-	-	-	50,078
Prepaids	13,468	-	-	-	-	-	13,468
Total assets	$ 1,477,092	$ 302,359	$ 294,440	$ 48,573	$ 243,652	$ 135,421	$ 2,501,537
LIABILITIES AND FUND BALANCES							
Accounts payable	$ 73,466	$ 7,936	5,480	$ 732	$ -	$ -	$ 87,614
Salaries and benefits payable	95,817	3,215	-	-	-	-	99,032
Deferred revenue	14,417	-	-	-	-	-	14,417
Other liabilities	1,050	-	-	-	-	-	1,050
Total liabilities	184,750	11,151	5,480	732	-	-	202,113
Fund balances:							
Nonspendable:							
Prepaid expenditures	13,468	-	-	-	-	-	13,468
Inventories	50,078	-	-	-	-	-	50,078
Cemetery perpetual care	372,623	-	-	-	-	-	372,623
Restricted:							
Parks and recreation	-	-	288,960	-	-	-	288,960
Fire protection	-	-	-	-	-	135,421	135,421
Street	-	291,208	-	-	-	-	291,208
Assigned to:							
Capital outlay	-	-	-	-	243,652	-	243,652
Airport	-	-	-	47,841	-	-	47,841
Unassigned	856,173	-	-	-	-	-	856,173
Total fund balances	1,292,342	291,208	288,960	47,841	243,652	135,421	2,299,424
Total liabilities and fund balances	$ 1,477,092	$ 302,359	$ 294,440	$ 48,573	$ 243,652	$ 135,421	$ 2,501,537

See accompanying notes.

CITY OF BUTLER, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2016

Fund balances - total governmental funds	$	2,299,424
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.		7,285,782
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(4,803)
Net pension asset is not a current financial resource and therefore not reported in the fund financial statements		170,546
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		(195,715)
Outflows		272,158
		76,443
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		(2,577,788)
Net Position of Governmental Activities in the Statement of Net Position	$	7,249,604

See accompanying notes.

CITY OF BUTLER, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE --
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2016

	General Fund	Transportation Tax Fund	Park Fund	Airport Fund	Capital Projects	Fire Protection	Total Governmental Funds
REVENUES							
Taxes	$ 1,159,785	$ 356,860	$ 356,860	$ -	$ 356,478	$ 89,203	$ 2,319,186
Licenses and permits	15,139	-	-	-	-	-	15,139
Intergovernmental	569,468	-	-	-	-	-	569,468
Charges for services	161,668	-	-	32,859	-	-	194,527
Fees and fines	106,061	-	-	-	-	-	106,061
Investment earnings	591	15	12	-	-	9	627
Payments in lieu of taxes	520,236	-	-	-	-	-	520,236
Other	339,717	-	-	11,144	-	-	350,861
Total revenues	2,872,665	356,875	356,872	44,003	356,478	89,212	4,076,105
EXPENDITURES							
Current:							
General government	685,285	-	9,407	-	2,059	-	696,751
Police	891,614	-	-	-	-	-	891,614
Fire department	220,759	-	-	-	-	-	220,759
Street	3,451	289,797	-	-	-	-	293,248
Emergency management	7,879	-	-	-	-	-	7,879
Cemetery	122,336	-	-	-	-	-	122,336
Parks	256,380	-	-	-	-	-	256,380
Shop	63,099	-	-	-	-	-	63,099
Recreation and aquatics	151,392	-	-	-	-	-	151,392
Municipal court	112,301	-	-	-	-	-	112,301
Airport	224	-	-	24,690	-	-	24,914
Capital outlay	234,744	5,680	-	-	116,689	151,553	508,666
Debt service:							
Principal	23,127	-	1,653,987	-	989,637	47,853	2,714,604
Interest and other charges	2,323	-	22,723	-	37,667	5,473	68,186
Bond issuance costs	-	-	5,158	-	76,764	-	81,922
Total expenditures	2,774,914	295,477	1,691,275	24,690	1,222,816	204,879	6,214,051
Excess (deficiency) of revenues over expenditures	97,751	61,398	(1,334,403)	19,313	(866,338)	(115,667)	(2,137,946)
OTHER FINANCING SOURCES (USES)							
Proceeds from issuance of long-term debt	-	-	1,472,904	-	977,096	-	2,450,000
Proceeds from capital leases	-	-	-	-	-	143,607	143,607
Transfers in	115,690	9,800	-	-	-	-	125,490
Transfers out	-	-	(100,000)	-	(114,594)	-	(214,594)
Total other financing sources and uses	115,690	9,800	1,372,904	-	862,502	143,607	2,504,503
Net change in fund balances	213,441	71,198	38,501	19,313	(3,836)	27,940	366,557
Fund balances - beginning, as restated	1,078,901	220,010	250,459	28,528	247,488	107,481	1,932,867
Fund balances - ending	$ 1,292,342	$ 291,208	$ 288,960	$ 47,841	$ 243,652	$ 135,421	$ 2,299,424

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, 2016

Net change in fund balances - total governmental funds:		$ 366,557
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 threshhold, exceeded depreciation in the current period:		
Capital outlay	434,635	
Depreciation expense	(316,091)	
		118,544
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	(2,593,607)	
Repayment of principal	2,714,604	
		120,997
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 not reflected on governmental funds	1,066	
Pension expense	(175,285)	
		(174,219)
Change in net position of governmental activities		$ 431,879

See accompanying notes.

CITY OF BUTLER, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUND
MARCH 31, 2016

	Utility Fund
ASSETS:	
Current assets:	
Cash and investments-restricted	$ 2,559,686
Receivables:	
Billed	473,786
Unbilled	287,674
Other receivables	19,329
Inventories	578,137
Prepaid expenses	8,979
Total current assets	3,927,591
Non-current assets,	
Capital assets:	
Land and improvements	119,145
Infrastructure	17,196,688
Buildings	1,601,332
Equipment and furniture	5,698,329
Total capital assets at cost	24,615,494
Less accumulated depreciation	(13,142,286)
Capital assets, net	11,473,208
	15,400,799
DEFERRED OUTFLOWS OF RESOURCES,	
Pension--related amounts	117,516
Total assets and deferred outflows of resources	15,518,315
LIABILITIES:	
Current liabilities:	
Bank overdraft	153,097
Accounts payable	457,538
Salaries and benefits payable	53,128
Accrued interest payable	44,580
Customer deposits	193,465
Other payables	13,367
Bonds, notes, and capital leases payable	673,915
Total current liabilities	1,589,090
Non-current liabilities,	
Net pension liability	103,935
Bonds, notes, and capital leases payable	5,707,214
	7,400,239
DEFERRED INFLOWS OF RESOURCES,	
Pension--related amounts	28,043
NET POSITION:	
Net investment in capital assets	6,816,602
Restricted for debt service	530,544
Unrestricted	742,887
Total net position	8,090,033
Total liabilities, deferred inflows, and net position	$ 15,518,315

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, 2016

	Utility Fund
REVENUES,	
Charges for services	$ 7,115,305
	7,115,305
OPERATING EXPENSES:	
Personnel services	1,015,463
Contractual services	4,321,013
Materials and supplies	167,290
Maintenance and repairs	378,396
Insurance	58,082
Utilities	207,694
Interfund charges for support services	520,236
Depreciation and amortization	661,681
Administration	165,904
	7,495,759
Operating loss	(380,454)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	84,858
Miscellaneous income	43,049
Interest expense	(243,974)
	(116,067)
Net loss before transfers	(496,521)
Transfers in	89,104
Decrease in net position	(407,417)
Net position - beginning, as restated	8,497,450
Net position - ending	$ 8,090,033

See accompanying notes.

CITY OF BUTLER, MISSOURI

STATEMENT OF CASH FLOWS -- PROPRIETARY FUND
FOR THE YEAR ENDED MARCH 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Received from customers	$ 7,267,778
Payments to employees and fringe benefits	(5,935,623)
Payments for operations	(546,262)
Net cash provided by operating activities	785,893
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Due from other funds	46,066
Transfers in	89,104
Net cash provided by noncapital financing activities	135,170
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(72,697)
Principal paid on capital debt and leases	(871,903)
Interest paid on capital debt and leases	(243,974)
Net cash used by capital and related financing activities	(1,188,574)
CASH FLOWS FROM INVESTING ACTIVITIES,	
Investment income	84,858
Net decrease in cash and cash equivalents	(182,653)
Cash and cash equivalents, Beginning of the year	2,589,242
Cash and cash equivalents, End of the year	$ 2,406,589
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (380,454)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	661,681
Nonoperating revenues	43,049
Changes in assets and liabilities:	
Receivables, net	152,473
Inventories	(5,309)
Pension	106,257
Prepaid items	309,272
Accounts payable and accrued liabilities	(113,701)
Meter deposits	12,625
Total adjustments	1,166,347
Net cash provided by operating activities	$ 785,893

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.

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.

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 and Storm Water 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 funds are 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.

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.

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 Funds. 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 funds. 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:

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, 2016, 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, 2016. All accounts receivable are stated net of allowances.

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 and will not be recognized as an outflow of resources, or expenses/expenditures, 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 and will not be recognized as an inflow of resources, or revenues, until that time.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

2. DEPOSITS AND INVESTMENTS:

At March 31, 2016, the carrying amount of the City's cash on hand, demand deposits, and certificates of deposit in financial institutions was $617, $2,338,198, 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.

2. DEPOSITS AND INVESTMENTS (Continued):

At March 31, 2016, the City's investments consisted of the following:

	Carrying Amount	Fair Value	Investment Rating
Money market	$ 2,894	$ 2,894	NA
Guaranteed investment contracts	379,172	379,172	NA
SRF reserve	1,724,523	1,724,523	NA
	$ 2,106,589	$ 2,106,589	

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, 2016, the City had the following investments and maturities:

	Investment maturities (in years)			
	Value	Less than one	1-5	>5
Investment type:				
Money market	$ 2,894	$ 2,894	$ -	$ -
Guaranteed investment contracts	379,172	-	-	379,172
SRF reserve	1,724,523	-	-	1,724,523
	$ 2,106,589	$ 2,894	$ -	$ 2,103,695

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, 2016, the carrying value of deposits and investments are summarized as follows:

Investments:	
Money markets	$ 2,894
Guaranteed investment contracts	379,172
SRF reserve	1,724,523
Total investments	2,106,589
Certificates of deposit	11,658
Cash on hand	617
Deposits	2,338,198
	2,350,473
	$ 4,457,062

2. DEPOSITS AND INVESTMENTS (Continued):

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

Government-wide statement of net assets:	
Pooled cash and investments	$ 1,486,721
Restricted cash	2,970,341
	$ 4,457,062

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 $37,472 for the Utility Fund.

4. CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2016, consisted of the following:

	Balance 4/1/2015	Increases	Decreases	Balance 3/31/2016
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 753,831	$ -	$ -	$ 753,831
Construction in progress	125,345	8,717	125,345	8,717
Total capital assets not being depreciated	879,176	8,717	125,345	762,548
Capital assets being depreciated:				
Buildings and land improvements	4,233,086	-	-	4,233,086
Furniture and equipment	135,251	-	-	135,251
Heavy equipment	1,388,300	14,800	-	1,403,100
Vehicles	757,556	260,296	-	1,017,852
Infrastructure	3,963,244	276,167	-	4,239,411
Total capital assets being depreciated	10,477,437	551,263	-	11,028,700
Less accumulated depreciation:				
Buildings and land improvements	1,372,823	88,525	-	1,461,348
Furniture and equipment	30,798	11,931	-	42,729
Heavy equipment	1,098,952	40,325	-	1,139,277
Vehicles	383,421	63,004	-	446,425
Infrastructure	1,303,381	112,306	-	1,415,687
Total accumulated depreciation	4,189,375	316,091	-	4,505,466
Total capital assets being depreciated, net	6,288,062	235,172	-	6,523,234
Governmental activities capital assets, net	$ 7,167,238	$ 243,889	$ 125,345	$ 7,285,782

4. CAPITAL ASSETS (Continued):

Capital asset activity for the year ended March 31, 2016, consisted of the following (Continued):

	Balance 4/1/2015	Increases	Decreases	Balance 3/31/2016
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 119,145	$ -	$ -	$ 119,145
Construction in progress	-	-	-	-
Total capital assets not being depreciated	119,145	-	-	119,145
Capital assets being depreciated:				
Buildings and land improvements	1,601,332	-	-	1,601,332
Furniture and equipment	4,811,412	-	-	4,811,412
Heavy equipment	449,295	72,697		521,992
Vehicles	364,925	-	-	364,925
Infrastructure	17,196,688	-	-	17,196,688
Total capital assets being depreciated	24,423,652	72,697	-	24,496,349
Less accumulated depreciation:				
Buildings and land improvements	1,084,970	23,723	-	1,108,693
Furniture and equipment	2,796,349	197,227		2,993,576
Heavy equipment	287,577	20,690	-	308,267
Vehicles	318,570	5,785	-	324,355
Infrastructure	7,993,139	414,256	-	8,407,395
Total accumulated depreciation	12,480,605	661,681	-	13,142,286
Total capital assets being depreciated, net	11,943,047	(588,984)	-	11,354,063
Business-type activities capital assets, net	$ 12,062,192	$ (588,984)	$ -	$ 11,473,208

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

Government activities:	
General government	$ 23,337
Police	39,521
Fire	56,133
Airport	46,768
Streets	77,231
Parks	73,101
Total depreciation expense, governmental	$ 316,091
Business-type activities:	
Water	$ 313,260
Sewer	150,274
Electric	198,147
	$ 661,681

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.

	2014 Valuation
Benefit Multiplier:	1.25%
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, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	10
Active employees	48
	87

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 9.8% General, 9.8% Police, and 7% Fire of annual covered payroll.

Net Pension Liability: The employer's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2014.

Actuarial assumptions: The total pension liability in the February 28, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage 3.0% price
Salary Increase	3.5% to 6.8% including inflation
Investment rate of return	7.25%

Mortality rates were based on 105% of the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in the February 28, 2014, valuation were based on the results of an actuarial experience study for the period March 1, 2005 through February 28, 2010.

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	48.5%	5.5%
Fixed Income	25%	2.25%
Real Assets	20%	4.5%
Strategic Assets	6.5%	7.5%

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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2014	$ 4,741,747	$ 5,308,406	$ (566,659)
Changes for the year:			
Service Cost	142,131	-	142,131
Interest	339,897	-	339,897
Change of benefit terms	473,696	-	473,696
Difference between expected and actual experience	(276,981)	-	(276,981)
Contributions - employer	-	176,141	(176,141)
Contributions - employee	-	-	-
Net investment income	-	99,053	(99,053)
Benefit payments, including refunds	(251,027)	(251,027)	-
Administrative expense	-	(7,829)	7,829
Other changes	-	(88,670)	88,670
Net changes	427,716	(72,332)	500,048
Balances at 6/30/2015	$ 5,169,463	$ 5,236,074	$ (66,611)

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.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	$ 5,853,660	$ 5,169,463	$ 4,598,062
Plan Fiduciary Net Position	5,236,074	5,236,074	5,236,074
Net Position Liability/(Asset) (NPL)	$ 617,586	$ (66,611)	$ (638,012)

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, 2016, the employer recognized pension expense of $676,186. 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	$ (145,861)	$ 77,897
Differences in assumptions	-	-
Excess (deficit) investment returns	223,761	-
Contributions subsequent to the measurement date*	165,913	-
Total	$ 243,813	$ 77,897

*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, 2017.

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
2016	$ 2,718
2017	8,654
2018	14,125
2019	14,122
2020	(39,616)
Thereafter	-
	$ 3

Payable/Asset to the Pension Plan

At March 31, 2016, the City reported an asset of $170,546 for governmental activities and a liability of $103,935 for business-type activities for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2016.

6. LONG-TERM DEBT:

Changes in long-term debt of the City for the year ended March 31, 2016, consisted of the following:

Governmental Activities

	Balance April 1, 2015	Additions	Retirements	Balance March 31, 2016	Amounts Due Within One Year
Certificates of participation	$ 1,450,000	$ 2,450,000	$ 1,725,000	$ 2,175,000	$ 310,000
Notes payable	1,042,852	-	933,646	109,206	22,602
Capital leases	205,933	143,607	55,958	293,582	68,817
	2,698,785	2,593,607	2,714,604	2,577,788	401,419
Other liabilities, Compensated absences	64,238	67,651	64,238	67,651	67,651
	$ 2,763,023	$ 2,661,258	$ 2,778,842	$ 2,645,439	$ 469,070

Business-Type Activities

	Balance April 1, 2015	Additions	Retirements	Balance March 31, 2016	Amounts Due Within One Year
Revenue bonds	$ 3,900,000	$ -	$ 445,000	$ 3,455,000	$ 470,000
SRF loan	1,950,221	-	225,698	1,724,523	-
Capital lease	1,402,811	-	201,205	1,201,606	203,915
	7,253,032	-	871,903	6,381,129	673,915
Other liabilities, Compensated absences	33,506	29,064	33,506	29,064	29,064
	$ 7,286,538	$ 29,064	$ 905,409	$ 6,410,193	$ 702,979

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.

6. LONG TERM DEBT (Continued):

Total City debt at March 31, 2016, 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 $185,0000 to $330,000, through March 1, 2024; interest at 0.85% to 3%	$ 2,175,000
$24,940, Energy Loan System with MO DNR, issued for energy improvements, due in semi-annual installments of $3,225, through February 2017, interest at 0%	5,590
$165,613, Energize MO Loan with DNR, issued for energy improvements, due in semi-annual installments of $10,000, through August 2022, interest at 2%	103,616
Total governmental funds	$ 2,284,206
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%	$ 1,405,000
$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%	2,050,000
State Revolving Fund loan	1,724,523
Total Proprietary fund	$ 5,179,523

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

Years ending March 31,	Principal	Interest	Revenue Bonds
2017	$ 470,000	$ 165,687	$ 635,687
2018	495,000	139,753	634,753
2019	520,000	112,475	632,475
2020	550,000	84,750	634,750
2021	580,000	56,500	636,500
2022-2023	840,000	32,750	872,750
	$ 3,455,000	$ 591,915	$ 4,046,915

6. LONG-TERM DEBT (Continued):

Years ending March 31,	Principal	Interest	Certificates of Participation
2017	$ 310,000	$ 43,600	$ 353,600
2018	310,000	39,880	349,880
2019	320,000	35,075	355,075
2020	325,000	29,475	354,475
2021	330,000	23,300	353,300
2022-2024	580,000	31,925	611,925
	$ 2,175,000	$ 203,255	$ 2,378,255

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, 2016, 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, 2016, the City was in compliance with these requirements.

Rates and fees established and charged were not sufficient to satisfy the bond covenant responsibilities for the sewer fund for the year ended March 31, 2016. The Utility Fund deficiency was $54,887.

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:

Asset		
Fire truck and ambulance	$	307,837
Utility system improvements		1,360,000
Total assets acquired	$	1,667,837

The future minimum lease payments and the present value of the remaining minimum lease payments as of March 31, 2016, are as follows:

Years Ending March 31,	General Fund	Proprietary Fund
2017	$ 76,184	$ 245,761
2018	76,184	251,454
2019	76,183	246,796
2020	40,908	248,051
2021	22,870	152,249
2022-2023	20,569	187,029
	312,898	1,331,340
Less: amount representing interest	19,316	129,734
Present value of future minimum lease payments	$ 293,582	$ 1,201,606

8. RESTRICTED CASH:

Restricted cash and investments at March 31, 2016, consisted of the following:

Account	General Fund	Park Fund	Capital Projects Fund	Utility Fund	Total
Municipal court	$ 863	$ -	$ -	$ -	$ 863
Park	168	-	-	-	168
Fire	5,533	-	-	-	5,533
Police	13,252	-	-	-	13,252
Cemetery	375,188	-	-	-	375,188
Construction	12,640	-	-	304,619	317,259
Reserve for debt service	-	117	2,894	2,255,067	2,258,078
	$ 407,644	$ 117	$ 2,894	$ 2,559,686	$ 2,970,341

9. TAX REVENUES:

The tax revenue, including interest and penalties collected thereon, for the year ended March 31, 2016, is as follows:

Type	General Fund	Special Revenue Funds
Property	$ 267,707	$ -
Franchise	178,360	-
City sales	713,718	-
Capital improvement	-	356,478
Park sales	-	356,860
Transportation sales	-	356,860
Fire protection	-	89,203
PILOTS	520,236	-
	$ 1,680,021	$ 1,159,401

9. TAX REVENUES (Continued):

The assessed valuation of the tangible property for the purpose of local taxation as of May 31, 2015, was as follows:

Real estate	$	34,160,812
Personal property		8,454,928
	$	42,615,740

The tax levy per $100 of assessed valuation of tangible real and personal property for the calendar year 2015 was as follows:

General Fund	$	0.6000
Parks and Recreation Fund		0.0280
Lake		0.0122
	$	0.6402

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.

11. INTERFUND TRANSACTIONS:

Transfers during the year ended March 31, 2016, were as follows:

	Transfers In	Transfers Out
General Fund	$ 115,690	$ -
Special Revenue Fund:		
Parks	-	100,000
Transportation	9,800	-
Capital Projects Fund	-	114,594
Proprietary Fund,		
Utility Fund	89,104	-
	$ 214,594	$ 214,594

11. INTERFUND TRANSACTIONS (Continued):

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, 2016, consisted of the following:

	General Fund
State:	
Department of Transportation,	
Airport	$ 197,075
Department of Revenue:	
Motor Vehicle Fuel Tax	165,218
Motor Vehicle Fees	4,951
Other State Grants	202,224
	$ 569,468

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 $4,046,915. Principal and interest paid for the current year is $641,304.

15. BUDGET VIOLATION:

For the year ended March 31, 2016, actual expenditures exceeded budgeted expenditures in the following governmental funds:

Park Fund	$ 1,443,275
Airport Fund	$ 13,015
Capital Projects Fund	$ 852,736

16. PRIOR PERIOD ADJUSTMENTS:

Correction to prior period - For the year ended March 31, 2016 the City corrected journal entries related to the 2013-14 fiscal year. This resulted in an adjustment to the beginning net position for the Fire Protection Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds of $29,440. An adjustment was also required for the Utility Fund on the Statement of Revenues, Expenses and Changes in Fund Net Position of $312,135. These changes also resulted in an adjustment to the Statement of Activities for governmental and business-type activities.

Change in accounting principle - An adjustment was necessary to restate beginning net position for the LAGERS net pension liability. The adjustment is due to the City complying with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The following table represents the change in net position on the Statement of Activities for governmental and business-type activities:

	Fire Protection Fund	Governmental Activities	Business-type Activities
Net position as originally reported March 31, 2015	$ 78,041	$ 6,366,012	$ 8,093,520
Journal entry correction	29,440	29,440	312,135
Net pension asset	-	422,273	91,795
Net position as restated March 31, 2015	$ 107,481	$ 6,817,725	$ 8,497,450

17. EVALUATION OF SUBSEQUENT EVENTS:

The City has evaluated subsequent events through December 20, 2016, 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
2015

Fiscal year ending June 30,		**2015**
Total Pension Liability		
Service Cost	$	142,131
Interest on the Total Pension Liability		339,897
Benefit Changes		473,696
Difference between expected and actual experience		(276,981)
Assumption Changes		-
Benefit Payments		(251,027)
Refunds		-
Net Change in Total Pension Liability		427,716
Total Pension Liability beginning		4,741,747
Total Pension Liability ending	$	5,169,463
Plan Fiduciary Net Position		
Contributions-employer	$	176,141
Contributions-employee		-
Pension Plan Net Investment income		99,053
Benefit Payments		(251,027)
Refunds		-
Pension Plan Administrative expense		(7,829)
Other		(88,670)
Net Change in Plan Fiduciary Net Position		(72,332)
Plan Fiduciary Net Position beginning		5,308,406
Plan Fiduciary Net Position ending	$	5,236,074
Employer Net Pension (Asset) Liability	$	(66,611)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability		101.29%
Covered Employee Payroll	$	1,648,484
Employer's Net Pension (Asset) Liability as a percentage of covered employee payroll		-4.04%

Notes to schedule:

Only the 2015 year is 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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	$ 199,070	$ 158,987	$ 105,894	$ 111,729	$ 117,419	$ 115,100	$ 114,591	$ 67,614	$ 76,290	$ 86,478
Contributions in relation to the actuarially determined contribution	216,935	163,499	110,825	112,277	110,533	96,100	74,536	74,345	85,524	97,784
Contribution deficiency (excess)	$ (17,865)	$ (4,512)	$ (4,931)	$ (548)	$ 6,886	$ 19,000	$ 40,055	$ (6,731)	$ (9,234)	$ (11,306)
Covered-employee payroll	$ 1,698,989	$ 1,648,484	$ 1,736,140	$ 1,738,145	$ 1,815,267	$ 1,823,793	$ 1,750,950	$ 1,567,883	$ 1,621,038	$ 1,644,349
Contributions as a percentage of covered-employee payroll	12.77%	9.92%	6.38%	6.46%	6.09%	5.27%	4.26%	4.74%	5.28%	5.95%

CITY OF BUTLER, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	$ 1,352,360	$ 1,352,360	$ 1,161,620	$ (190,740)
Licenses and permits	14,160	14,160	15,139	979
Intergovernmental	705,960	705,960	569,468	(136,492)
Charges for services	183,000	183,000	166,419	(16,581)
Fees and fines	124,820	124,820	103,480	(21,340)
Investment earnings	380	380	591	211
Payments in lieu of taxes	600,000	600,000	520,236	(79,764)
Other	17,600	17,600	339,717	322,117
	2,998,280	2,998,280	2,876,670	(121,610)
Accrual adjustments	-	-	(4,005)	(4,005)
	2,998,280	2,998,280	2,872,665	(125,615)
EXPENDITURES:				
Current:				
General government	773,488	773,488	691,362	82,126
Police	990,463	990,463	891,614	98,849
Fire department	236,677	236,677	220,759	15,918
Street	-	-	3,451	(3,451)
Emergency management	19,650	19,650	7,879	11,771
Cemetery	161,261	161,261	122,336	38,925
Parks	283,735	283,735	256,380	27,355
Shop	67,724	67,724	63,099	4,625
Recreation and aquatics	170,793	170,793	151,392	19,401
Municipal Court	137,449	137,449	112,301	25,148
Airport	-	-	224	(224)
Capital outlay	413,688	413,688	234,744	178,944
Debt service:				
Principal	14,358	14,358	23,127	(8,769)
Interest and other charges	1,531	1,531	2,323	(792)
	3,270,817	3,270,817	2,780,991	489,826
Accrual adjustments	-	-	(6,077)	6,077
	3,270,817	3,270,817	2,774,914	495,903
Excess (deficiency) of revenues over expenditures	(272,537)	(272,537)	97,751	370,288
OTHER FINANCING SOURCES,				
Transfers in	100,000	100,000	115,690	15,690
Net change in fund balances	$ (172,537)	$ (172,537)	213,441	$ 385,978
Fund balances - beginning			1,078,901	
Fund balances - ending			$ 1,292,342	

CITY OF BUTLER, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
TRANSPORTATION TAX FUND
FOR THE YEAR ENDED MARCH 31, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	$ 350,000	$ 350,000	$ 353,772	$ 3,772
Investment earnings	10	10	15	5
	350,010	350,010	353,787	3,777
Accrual adjustments	-	-	3,088	3,088
	350,010	350,010	356,875	6,865
EXPENDITURES:				
Current,				
Street	287,368	287,368	288,392	(1,024)
Capital outlay	59,500	59,500	5,680	53,820
	346,868	346,868	294,072	52,796
Accrual adjustments	-	-	1,405	(1,405)
	346,868	346,868	295,477	51,391
Revenues over expenditures	3,142	3,142	61,398	58,256
OTHER FINANCING SOURCES,				
Transfers in	-	-	9,800	9,800
Net change in fund balances	$ 3,142	$ 3,142	71,198	$ 68,056
Fund balances - beginning			220,010	
Fund balances - ending			$ 291,208	

CITY OF BUTLER, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
PARK FUND
FOR THE YEAR ENDED MARCH 31, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	$ 350,000	$ 350,000	$ 353,772	$ 3,772
Investment earnings	10	10	12	2
	350,010	350,010	353,784	3,774
Accrual adjustments	-	-	3,088	3,088
	350,010	350,010	356,872	6,862
EXPENDITURES:				
Current,				
General government	-	-	9,407	(9,407)
Debt service:				
Principal	195,000	195,000	1,653,987	(1,458,987)
Interest and other charges	53,000	53,000	22,723	30,277
Bond issuance costs	-	-	5,158	(5,158)
	248,000	248,000	1,691,275	(1,443,275)
Excess (deficiency) of revenues over expenditures	102,010	102,010	(1,334,403)	(1,436,413)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long-term debt	-	-	1,472,904	1,472,904
Transfers out	(100,000)	(100,000)	(100,000)	-
Net change in fund balances	$ 2,010	$ 2,010	38,501	$ 36,491
Fund balances - beginning			250,459	
Fund balances - ending			$ 288,960	

CITY OF BUTLER, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
AIRPORT FUND
FOR THE YEAR ENDED MARCH 31, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	$ 11,800	$ 11,800	$ 32,859	$ 21,059
Other	100	100	11,144	11,044
	11,900	11,900	44,003	32,103
EXPENDITURES,				
Current,				
Airport	11,675	11,675	24,690	(13,015)
	11,675	11,675	24,690	(13,015)
Net change in fund balances	$ 225	$ 225	19,313	$ 19,088
Fund balances - beginning			28,528	
Fund balances - ending			$ 47,841	

CITY OF BUTLER, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
FIRE PROTECTION
FOR THE YEAR ENDED MARCH 31, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	$ 82,000	$ 82,000	$ 88,429	$ 6,429
Investment earnings	-	-	9	9
	82,000	82,000	88,438	6,438
Accrual adjustments	-	-	774	774
	82,000	82,000	89,212	7,212
EXPENDITURES:				
Capital outlay	145,000	145,000	151,553	(6,553)
Debt service:				
Principal	66,236	66,236	47,853	18,383
Interest and other charges	-	-	5,473	(5,473)
	211,236	211,236	204,879	6,357
Accrual adjustments	-	-	-	-
	211,236	211,236	204,879	6,357
Excess (deficiency) of revenues over expenditures	(129,236)	(129,236)	(115,667)	13,569
OTHER FINANCING SOURCES,				
Proceeds from capital lease	145,000	145,000	143,607	1,393
Net change in fund balances	$ 15,764	$ 15,764	27,940	$ 14,962
Fund balances - beginning, as restated			107,481	
Fund balances - ending			$ 135,421	

CITY OF BUTLER, MISSOURI
BUDGETARY COMPARISON SCHEDULE --
CAPITAL PROJECTS
FOR THE YEAR ENDED MARCH 31, 2016

	Budgeted Amounts		Actual Amounts,	Variance with Final Budget Positive
	Original	Final	Budgetary Basis	(Negative)
REVENUES:				
Taxes	$ 350,000	$ 350,000	$ 353,448	$ 3,448
Accrual adjustments	-	-	3,030	3,030
	350,000	350,000	356,478	6,478
EXPENDITURES:				
General government	-	-	2,059	(2,059)
Capital outlay	132,000	132,000	116,689	15,311
Debt service:				
Principal	209,832	209,832	989,637	(779,805)
Interest and other charges	28,248	28,248	37,667	(9,419)
Bond issuance costs	-	-	76,764	(76,764)
	370,080	370,080	1,222,816	(852,736)
Excess (deficiency) of revenues over expenditures	(20,080)	(20,080)	(866,338)	(846,258)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long-term debt	-	-	977,096	977,096
Transfers out	-	-	(114,594)	(114,594)
Total other financing sources	-	-	862,502	862,502
Net change in fund balances	$ (20,080)	$ (20,080)	(3,836)	$ 16,244
Fund balances - beginning			247,488	
Fund balances - ending			$ 243,652	