

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2006

WATER AND WASTEWATER UTILITIES

CITY OF BUTLER

DEKALB COUNTY, INDIANA



**FILED**  
10/26/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Catharine S. Minehart Angela M. Eck	01-01-04 to 06-30-06 07-01-06 to 12-31-07
Mayor	Floyd C. Coburn	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Floyd C. Coburn	01-01-04 to 12-31-07
President of the Common Council	Ronald L. Walter	01-01-06 to 12-31-07
Superintendent of Utilities	William T. Miller	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER AND WASTEWATER UTILITIES,  
CITY OF BUTLER, DEKALB COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities (Utilities), departments of the City of Butler, as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Utilities' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Water and Wastewater Utilities, City of Butler, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Butler as of December 31, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Water and Wastewater Utilities, as of December 31, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The City has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board had determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

September 6, 2007

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
STATEMENT OF NET ASSETS  
December 31, 2006

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Current assets:		
Cash and cash equivalents	\$ 178,281	\$ 525,606
Accounts receivable (net of allowance)	28,403	56,527
Prepaid items	<u>4,526</u>	<u>7,351</u>
Total current assets	<u>211,210</u>	<u>589,484</u>
Noncurrent assets:		
Restricted cash, cash equivalents and investments:		
Customer deposits	14,780	-
Revenue bond covenant accounts	784,848	420,270
Capital asset replacement accounts	241,499	602,922
Reserve	<u>-</u>	<u>40,160</u>
Total restricted assets	<u>1,041,127</u>	<u>1,063,352</u>
Deferred charges	<u>83,506</u>	<u>310,378</u>
Capital assets:		
Land, improvements to land and construction in progress	163,570	180,643
Other capital assets (net of accumulated depreciation)	<u>1,294,890</u>	<u>7,036,699</u>
Total capital assets	<u>1,458,460</u>	<u>7,217,342</u>
Total noncurrent assets	<u>2,583,093</u>	<u>8,591,072</u>
Total assets	<u>2,794,303</u>	<u>9,180,556</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	4,754	16,797
Taxes payable	1,146	-
Contracts payable	128,692	16,275
Note payable - Vintage R.E.	-	1,600
Current liabilities payable from restricted assets:		
Customer deposits	14,780	-
Revenue bonds payable	<u>25,000</u>	<u>165,000</u>
Total current liabilities	<u>174,372</u>	<u>199,672</u>
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	785,000	3,062,611
Note payable - Vintage R.E.	<u>-</u>	<u>8,870</u>
Total noncurrent liabilities	<u>785,000</u>	<u>3,071,481</u>
Total liabilities	<u>959,372</u>	<u>3,271,153</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	648,460	3,989,731
Restricted for debt service	784,848	420,270
Unrestricted	<u>401,623</u>	<u>1,499,402</u>
Total net assets	<u>\$ 1,834,931</u>	<u>\$ 5,909,403</u>

The notes to the financial statements are an integral part of this statement.

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2006

	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue:		
Residential	\$ 180,633	\$ -
Commercial	43,316	-
Industrial	25,329	-
Fire protection revenue	34,350	-
Penalties	21,188	-
Measured revenue:		
Residential	-	361,332
Commercial	-	91,590
Industrial	-	715,281
Other	34,861	133,345
 Total operating revenues	 339,677	 1,301,548
 Operating expenses:		
Salaries and wages	82,110	185,319
Employee pensions and benefits	23,931	69,643
Purchased power	8,227	53,050
Chemicals	760	14,813
Materials and supplies	17,882	43,579
Contractual services	9,899	181,485
Rents	2,037	4,579
Transportation expenses	3,916	6,984
Insurance expense	7,389	23,523
Depreciation	55,465	209,765
Other	217,065	133,262
 Total operating expenses	 428,681	 926,002
 Operating income (loss)	 (89,004)	 375,546
 Nonoperating revenues (expenses):		
Interest and investment revenue	1,223	67,872
Interest expense	-	(237,815)
Miscellaneous expense	-	(22,833)
 Total nonoperating revenues (expenses)	 1,223	 (192,776)
 Change in net assets	 (87,781)	 182,770
Total net assets - beginning	1,922,712	5,726,633
Total net assets - ending	\$ 1,834,931	\$ 5,909,403

The notes to the financial statements are an integral part of this statement.

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2006

	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 339,410	\$ 1,295,509
Payments to suppliers and contractors	(206,784)	(666,135)
Payments to employees	(106,041)	(254,962)
Other receipts	55,465	-
	<u>82,050</u>	<u>374,412</u>
Cash flows from capital and related financing activities:		
Proceeds from revenue bonds	810,000	-
Acquisition and construction of capital assets	(146,767)	10,636
Principal paid revenue bonds	(83,506)	(155,000)
Principal paid on notes payable	-	(1,600)
Interest paid on revenue bonds	-	(233,283)
	<u>579,727</u>	<u>(379,247)</u>
Cash flows from investing activities:		
Interest received	4,031	82,410
	<u>4,031</u>	<u>82,410</u>
Net increase in cash and cash equivalents	665,808	77,575
Cash and cash equivalents, January 1	553,600	1,511,383
	<u>553,600</u>	<u>1,511,383</u>
Cash and cash equivalents, December 31	\$ 1,219,408	\$ 1,588,958
	<u>\$ 1,219,408</u>	<u>\$ 1,588,958</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (89,004)	\$ 375,546
	<u>\$ (89,004)</u>	<u>\$ 375,546</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	55,465	209,765
(Increase) decrease in assets:		
Accounts receivable	(267)	(6,039)
Prepaid items	(30)	4,387
Increase (decrease) in liabilities:		
Accounts payable	(12,146)	(14,438)
Contracts payable	128,692	(194,809)
Taxes payable	60	-
Customer deposits	(720)	-
	<u>171,054</u>	<u>(1,134)</u>
Total adjustments	<u>171,054</u>	<u>(1,134)</u>
Net cash provided by operating activities	<u>\$ 82,050</u>	<u>\$ 374,412</u>

The notes to the financial statements are an integral part of this statement.

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the City of Butler (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represents a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when cash is received and expenses are recognized when cash is disbursed.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The activity has been classified Class A or B, requiring full accrual accounting records, by the National Association of Regulatory Utility Commissioners. However, the Utilities continue to maintain Class C (cash basis) accounts.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

Inventories of materials and supplies at year end are not considered material and are not reflected in the financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond indentures or governing body action.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the statement of net assets.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 1,000	Straight-line	45 years
Equipment	1,000	Straight-line	30 to 100 years
Water collection systems	1,000	Straight-line	5 to 15 years
Wastewater distribution and collection systems	1,000	Straight-line	5 to 15 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

5. Compensated Absences

- a. Sick Leave – The employees of the Utilities earn sick leave at the rate of 7 days per year. Sick leave does not accumulate from year to year.

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

- b. Vacation Leave – The employees of the Utilities earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- c. Personal Leave – The employees of the Utilities earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

No liability is reported for vacation, sick and personal leave.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-15-18-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 34,878	\$ -	\$ -	\$ 34,878
Construction in progress	<u>-</u>	<u>128,692</u>	<u>-</u>	<u>128,692</u>
 Total capital assets, not being depreciated	 <u>34,878</u>	 <u>128,692</u>	 <u>-</u>	 <u>163,570</u>

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility (continued):				
Capital assets, being depreciated:				
Buildings	455,879	-	-	455,879
Improvements other than buildings	1,239,727	19,515	-	1,259,242
Machinery and equipment	292,640	-	34,041	258,599
Transportation equipment	50,360	-	2,550	47,810
	<u>2,038,606</u>	<u>19,515</u>	<u>36,591</u>	<u>2,021,530</u>
Totals				
Less accumulated depreciation	706,326	56,528	36,214	726,640
	<u>1,332,280</u>	<u>(37,013)</u>	<u>377</u>	<u>1,294,890</u>
Total capital assets, being depreciated, net				
Total Water Utility capital assets, net	<u>\$ 1,367,158</u>	<u>\$ 91,679</u>	<u>\$ 377</u>	<u>\$ 1,458,460</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 17,890	\$ -	\$ -	\$ 17,890
Construction in progress	211,084	162,753	211,084	162,753
	<u>228,974</u>	<u>162,753</u>	<u>211,084</u>	<u>180,643</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	487,472	-	-	487,472
Improvements other than buildings	7,356,550	392	-	7,356,942
Machinery and equipment	602,577	78,478	18,749	662,306
Transportation equipment	55,953	-	11,584	44,369
	<u>8,502,552</u>	<u>78,870</u>	<u>30,333</u>	<u>8,551,089</u>
Totals				
Less accumulated depreciation	1,293,783	236,859	16,252	1,514,390
	<u>7,208,769</u>	<u>(157,989)</u>	<u>14,081</u>	<u>7,036,699</u>
Total capital assets, being depreciated, net				
Total Wastewater Utility capital assets, net	<u>\$ 7,437,743</u>	<u>\$ 4,764</u>	<u>\$ 225,165</u>	<u>\$ 7,217,342</u>

Depreciation expense was charged to functions/programs of the Utilities as follows:

Water	\$ 55,465
Wastewater	209,765

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2006
Water Utility:		
Culy Construction	\$ 131,692	\$ 128,692
Wastewater Utility:		
Miller Pipeline	\$ 211,084	\$ 162,573

D. Long-Term Liabilities

1. Revenue Bonds

The Utilities issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Balance at December 31	Less: Unamortized Discount	Revenue Bonds
Water Utility:				
2006 Waterworks revenue bonds	4.13% to 4.38%	\$ 810,000	\$ -	\$ 810,000
Wastewater Utility:				
1996 Wastewater expansion	4.1% to 5.5%	\$ 1,810,000	\$ 24,840	\$ 1,785,160
2000 Wastewater expansion	5.5% to 5.8%	1,455,000	12,549	1,442,451
Total Wastewater Utility		\$ 3,265,000	\$ 37,389	\$ 3,227,611

Revenue bonds debt service requirements to maturity are as follows:

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2007	\$ 25,000	\$ 35,857	\$ 165,000	\$ 179,247
2008	30,000	33,208	175,000	170,647
2009	30,000	31,969	180,000	161,423
2010	30,000	30,730	195,000	151,838
2011	30,000	29,491	205,000	141,400
2012-2016	180,000	126,805	1,370,000	523,690
2017-2021	215,000	86,894	975,000	143,685
2022-2026	<u>270,000</u>	<u>36,573</u>	-	-
Totals	<u>\$ 810,000</u>	<u>\$ 411,527</u>	<u>\$ 3,265,000</u>	<u>\$ 1,471,930</u>

2. Notes and Loans Payable

The Wastewater Utility has entered into a note. The annual debt service requirement to maturity for the note is as follows:

2007	\$ 1,600
2008	1,600
2009	1,600
2010	1,600
2011	1,600
2012-2013	<u>2,470</u>
Total	<u>\$ 10,470</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility:					
Revenue bonds payable	\$ -	\$ 810,000	\$ -	\$ 810,000	\$ 25,000
Wastewater Utility:					
Revenue bonds payable	\$ 3,420,000	\$ -	\$ 155,000	\$ 3,265,000	\$ 165,000
Notes payable	12,070	-	1,600	10,470	1,600
Total long-term liabilities	<u>\$ 3,432,070</u>	<u>\$ -</u>	<u>\$ 156,600</u>	<u>\$ 3,275,470</u>	<u>\$ 166,600</u>

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

	Water Utility	Wastewater Utility
Customer deposits	\$ 14,780	\$ -
Revenue bond covenant accounts	784,848	420,270
Capital asset replacement account	241,499	602,922
Reserve account	-	40,160
 Total restricted assets	 \$ 1,041,127	 \$ 1,063,352

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

During 1997, the City, including the Utilities, joined together with other governmental entities in the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of workers' compensation claims. The City, including the Utilities, pays an annual premium to the risk pool for its job related illnesses or injuries to employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Rate Structure

1. Water Utility

On July 19, 1993, the City Council adopted Ordinance No. 1201 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on September 5, 2000.

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Wastewater Utility

The current rate structure was approved by the City Council on May 1, 2000.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Utilities authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utilities' annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole (and is presented in the governmental activities of the financial statements and is not presented as an asset/liability of the proprietary funds).

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 33,460
Interest on net pension obligation	(2,681)
Adjustment to annual required contribution	3,055
Annual pension cost	33,834
Contributions made	21,311
Increase in net pension obligation	12,523
Net pension obligation, beginning of year	(36,980)
Net pension obligation, end of year	\$ (24,457)
Contribution rates:	
Utilities	6.25%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.35%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 15,826	133%	\$ (44,665)
	06-30-05	27,116	72%	(36,980)
	06-30-06	33,834	63%	(24,457)

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 429,954	\$ 501,671	\$ (71,717)	86%	\$ 445,995	(16%)
07-01-05	445,225	595,950	(150,725)	75%	429,650	(35%)
07-01-06	505,340	512,011	(6,671)	99%	754,259	(1%)

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
AUDIT RESULT AND COMMENT

CONDITION OF RECORDS

The Utilities' computerized receipts and disbursements did not agree with the unit prepared Annual City's and Town Financial Report.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WATER AND WASTEWATER UTILITIES  
CITY OF BUTLER  
EXIT CONFERENCE

The contents of this report were discussed on September 6, 2007, with Floyd C. Coburn, Mayor; and Angela M. Eck, Clerk-Treasurer.