



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

February 2, 2006

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Butler County, Iowa.

The County had local tax revenue of \$15,347,046 for the year ended June 30, 2005, which included \$1,159,773 in tax credits from the state. The County forwarded \$11,596,928 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,750,118 of the local tax revenue to finance County operations, a 9% decrease from the prior year. Other revenues included charges for service of \$845,406, operating grants, contributions and restricted interest of \$4,552,678, capital grants, contributions and restricted interest of \$2,108,696, local option sales tax of \$355,695, unrestricted investment earnings of \$141,039 and other general revenues of \$484,094.

Expenses for County operations totaled \$10,417,436, an 8% increase from the prior year. Expenses included \$4,434,478 for roads and transportation, \$1,477,570 for public safety and legal services and \$1,209,978 for physical health and social services.

A copy of the report is available for review in the Office of Auditor of State, the County Auditor's office and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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BUTLER COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2005

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Butler County

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------|----------------------|---------------------|
| (Before January 2005) | | |
| Larry Backer | Board of Supervisors | Jan 2005 |
| Ken Oldenburger | Board of Supervisors | Jan 2007 |
| John Zimmerman | Board of Supervisors | Jan 2007 |
| Holly A. Fokkena | County Auditor | Jan 2005 |
| Louise Squires | County Treasurer | Jan 2007 |
| Craig J. Franken | County Recorder | Jan 2007 |
| Timothy A. Junker | County Sheriff | Jan 2005 |
| Gregory M. Lievens | County Attorney | Jan 2007 |
| Deborah McWhirter | County Assessor | Jan 2010 |
| (After January 2005) | | |
| Ken Oldenburger | Board of Supervisors | Jan 2007 |
| John Zimmerman | Board of Supervisors | Jan 2007 |
| Larry Backer | Board of Supervisors | Jan 2009 |
| Holly A. Fokkena | County Auditor | Jan 2009 |
| Louise Squires | County Treasurer | Jan 2007 |
| Craig J. Franken | County Recorder | Jan 2007 |
| Timothy A. Junker | County Sheriff | Jan 2009 |
| Gregory M. Lievens | County Attorney | Jan 2007 |
| Deborah McWhirter | County Assessor | Jan 2010 |

Butler County



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Independent Auditor's Report

To the Officials of Butler County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Butler County's management. Our responsibility is to express opinions on these financial statements based on our audit.

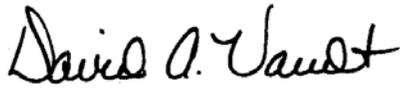
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Butler County at June 30, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

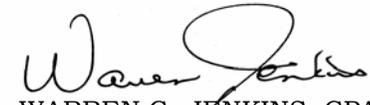
In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2005 on our consideration of Butler County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Butler County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 28, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Butler County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Governmental fund revenues decreased approximately \$153,000 from fiscal 2004 to fiscal 2005. Property and other county tax decreased approximately \$403,000.
- Governmental fund expenditures were approximately \$566,000 less in fiscal 2005 than in fiscal 2004. Roads and transportation expenditures increased by approximately \$188,000 and capital projects expenditures decreased approximately \$916,000. Governmental services to residents expenditures increased approximately \$181,000.
- Net assets increased 12%, or approximately \$1,820,000, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Butler County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Butler County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Butler County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911, emergency management services, empowerment and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Butler County's net assets at June 30, 2005 totaled \$17,070,165. This compares to fiscal 2004 at \$15,249,875. The analysis that follows focuses on the net assets for governmental activities.

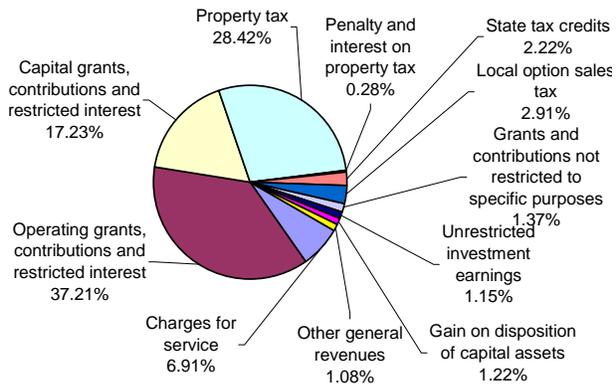
| Net Assets of Governmental Activities | | |
|---------------------------------------|----------------------|-------------------|
| | June 30, | |
| | 2005 | 2004 |
| Current and other assets | \$ 11,439,410 | 11,747,614 |
| Capital assets | 10,100,844 | 8,274,274 |
| Total assets | <u>21,540,254</u> | <u>20,021,888</u> |
| Long-term liabilities | 675,093 | 669,021 |
| Other liabilities | 3,794,996 | 4,102,992 |
| Total liabilities | <u>4,470,089</u> | <u>4,772,013</u> |
| Net assets: | | |
| Invested in capital assets | 10,100,844 | 8,274,274 |
| Restricted | 4,495,446 | 4,302,530 |
| Unrestricted | <u>2,473,875</u> | <u>2,673,071</u> |
| Total net assets | <u>\$ 17,070,165</u> | <u>15,249,875</u> |

Net assets of Butler County's governmental activities increased by approximately \$1.8 million as a result of capital assets contributed by the Iowa Department of Transportation of approximately \$1.9 million. The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are approximately \$2,474,000 at June 30, 2005.

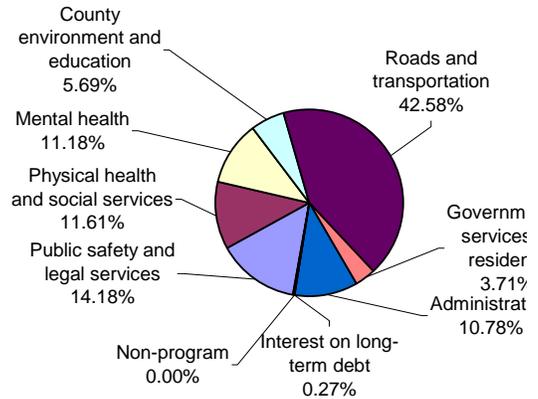
Changes in Net Assets of Governmental Activities

| | Year ended | |
|--|-------------------|-------------------|
| | 2005 | 2004 |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | \$ 845,406 | 1,260,606 |
| Operating grants, contributions and restricted interest | 4,552,678 | 4,062,110 |
| Capital grants, contributions and restricted interest | 2,108,696 | 2,524,811 |
| General revenues: | | |
| Property tax | 3,478,045 | 3,873,028 |
| Penalty and interest on property tax | 34,668 | 27,540 |
| State tax credits | 272,073 | 267,263 |
| Local option sales tax | 355,695 | 359,023 |
| Grants and contributions not restricted to specific purposes | 168,032 | 153,043 |
| Unrestricted investment earnings | 141,039 | 163,450 |
| Gain on disposition of capital assets | 149,666 | 89,391 |
| Other general revenues | 131,728 | 124,241 |
| Total revenues | 12,237,726 | 12,904,506 |
| Program expenses: | | |
| Public safety and legal services | 1,477,570 | 1,348,774 |
| Physical health and social services | 1,209,978 | 1,177,754 |
| Mental health | 1,165,030 | 1,114,860 |
| County environment and education | 592,790 | 601,307 |
| Roads and transportation | 4,434,478 | 3,810,323 |
| Governmental services to residents | 386,485 | 269,265 |
| Administration | 1,123,331 | 1,292,365 |
| Non-program | 60 | 15,400 |
| Interest on long-term debt | 27,714 | 20,799 |
| Total expenses | 10,417,436 | 9,650,847 |
| Increase in net assets | 1,820,290 | 3,253,659 |
| Net assets beginning of year | 15,249,875 | 11,996,216 |
| Net assets end of year | \$ 17,070,165 | 15,249,875 |

Revenue by Source



Expenses by Program



Butler County increased property tax rates for 2005 by an average of 2.49 percent. The County increased the General Fund property tax levy rate by \$.11415 per \$1,000 of property valuation. The Mental Health Fund property tax levy rate was increased by \$.08395 per \$1,000 of property valuation. Rural Services property tax levy was decreased by \$.00005 per \$1,000 of property valuation.

INDIVIDUAL MAJOR FUND ANALYSIS

The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Butler County, ended fiscal 2005 with a fund balance totaling \$2,245,618. This was only a slight increase from fiscal 2004, which ended at \$2,239,162.
- The Mental Health Fund balance at year end increased by \$96,265 over the prior year. This was partially due to the expansion of reimbursable costs by Medicaid.
- The Rural Services Fund ended fiscal 2005 with a fund balance of \$991,421, a decrease of \$142,599 from the ending balance for fiscal 2004. This decrease is a continuing effort to reduce the ending fund balance to a more acceptable level.
- The Secondary Roads Fund ended fiscal year 2005 with a fund balance of \$3,668,199. The fund balance increased \$78,248 from the prior year. The decrease in expenditures was due to capital projects for bridges in the prior year.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Over the course of the year, Butler County amended its budget twice. The first amendment, made in September 2004, was to cover computer programs, as well as costs associated with local election administration and development of the Statewide Records Website. The second amendment was made in February 2005. This amendment was made to allow for an insurance settlement to replace a patrol car, as well as unanticipated expenses related to the general election and the proposed drainage district.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Butler County had approximately \$10.1 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1.8 million over last year.

| Capital Assets of Governmental Activities at Year End | | |
|---|----------------------|---------------------|
| | June 30, | |
| | 2005 | 2004 |
| Land | \$ 374,570 | 374,570 |
| Buildings | 118,247 | 79,958 |
| Equipment and vehicles | 3,698,825 | 3,776,367 |
| Infrastructure | 5,909,202 | 4,043,379 |
| Total | <u>\$ 10,100,844</u> | <u>8,274,274</u> |
| This year's major additions included: | | |
| Capital assets contributed by the Iowa Department of Transportation | | \$ 1,926,822 |
| Replacement of one motorgrader and other Secondary Roads equipment | | 386,489 |
| Restroom and shower building project at Heery Woods Conservation Park | | 45,180 |
| Election equipment | | 73,001 |
| Total | | <u>\$ 2,431,492</u> |

The County had total accumulated depreciation of approximately \$6.6 million at June 30, 2005.

The County's fiscal year 2005 capital projects budget included \$1,084,000 for capital projects, principally for completion of a county conservation bike trail and several bridge projects. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2005, Butler County had approximately \$364,000 in outstanding debt compared to approximately \$394,000 at June 30, 2004.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Butler County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$25 million. Additional information about the County's long-term debt is presented in Notes 6 and 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Butler County's officials considered many factors when setting the fiscal year 2006 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County for the period from July 2004 to June 2005 was 5.0 percent. This compares with the State's unemployment rate of 4.9 percent and the national rate of 5.3 percent for the same period.

Budgeting continues to be a difficult task. Revenues remain unpredictable and certain expenses, like health insurance, are rising at a rapid pace.

These concerns were taken into account when adopting the budget for fiscal year 2006. Budgeted revenues increased approximately \$101,000, which included an increase in property tax revenue of approximately \$87,000. Budgeted expenditures also increased by approximately \$209,000. Existing fund balances will be used to cover the shortfall due to increased costs of county administration, including costs to maintain the County's computer systems and cover the increased costs of employee health insurance.

The County has added no major new programs or initiatives to the 2006 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Butler County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Butler County Auditor's Office, 428 6th Street, City of Allison, Iowa, 50602.

Butler County

Basic Financial Statements

Exhibit A

Butler County
Statement of Net Assets
June 30, 2005

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash and pooled investments | \$ 6,509,760 |
| Receivables: | |
| Property tax: | |
| Delinquent | 21,812 |
| Succeeding year | 3,362,000 |
| Interest and penalty on property tax | 34,708 |
| Accounts | 5,236 |
| Economic development loans | 51,484 |
| E911 lease | 334,443 |
| Due from other governments | 586,025 |
| Inventories | 362,751 |
| Prepaid insurance | 171,191 |
| Capital assets (net of accumulated depreciation) | 10,100,844 |
| Total assets | <u>21,540,254</u> |
| Liabilities | |
| Accounts payable | 161,106 |
| Accrued interest payable | 8,485 |
| Salaries and benefits payable | 99,098 |
| Due to other governments | 164,307 |
| Deferred revenue: | |
| Succeeding year property tax | 3,362,000 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| Capital loan notes | 36,537 |
| Compensated absences | 233,365 |
| Portion due or payable after one year: | |
| Capital loan notes | 327,906 |
| Compensated absences | 77,285 |
| Total liabilities | <u>4,470,089</u> |
| Net Assets | |
| Invested in capital assets | 10,100,844 |
| Restricted for: | |
| Supplemental levy purposes | 187,590 |
| Mental health purposes | 202,744 |
| Secondary roads purposes | 3,668,199 |
| Other purposes | 436,913 |
| Unrestricted | 2,473,875 |
| Total net assets | <u>\$ 17,070,165</u> |

See notes to financial statements.

Butler County
Statement of Activities
Year ended June 30, 2005

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|---|----------------------|------------------------|--|--|--|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | |
| Functions/Programs: | | | | | |
| Governmental activities: | | | | | |
| Public safety and legal services | \$ 1,477,570 | 214,565 | 77,220 | - | (1,185,785) |
| Physical health and social services | 1,209,978 | 217,522 | 772,640 | - | (219,816) |
| Mental health | 1,165,030 | 6,556 | 864,756 | - | (293,718) |
| County environment and education | 592,790 | 39,015 | 37,666 | - | (516,109) |
| Roads and transportation | 4,434,478 | 118,504 | 2,792,111 | 2,004,736 | 480,873 |
| Governmental services to residents | 386,485 | 234,119 | 8,285 | 103,960 | (40,121) |
| Administration | 1,123,331 | 15,125 | - | - | (1,108,206) |
| Non-program | 60 | - | - | - | (60) |
| Interest on long-term debt | 27,714 | - | - | - | (27,714) |
| Total | \$ 10,417,436 | 845,406 | 4,552,678 | 2,108,696 | (2,910,656) |
| General Revenues: | | | | | |
| Property and other county tax levied for: | | | | | |
| General purposes | | | | | 3,478,045 |
| Penalty and interest on property tax | | | | | 34,668 |
| State tax credits | | | | | 272,073 |
| Local option sales tax | | | | | 355,695 |
| Grants and contributions not restricted to specific purpose | | | | | 168,032 |
| Unrestricted investment earnings | | | | | 141,039 |
| Gain on disposition of capital assets | | | | | 149,666 |
| Miscellaneous | | | | | 131,728 |
| Total general revenues | | | | | 4,730,946 |
| Change in net assets | | | | | 1,820,290 |
| Net assets beginning of year | | | | | 15,249,875 |
| Net assets end of year | | | | | \$ 17,070,165 |

See notes to financial statements.

Butler County
Balance Sheet
Governmental Funds

June 30, 2005

| | Special Revenue | | | |
|--|---------------------|------------------|-------------------|--------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Assets | | | | |
| Cash and pooled investments | \$ 1,693,040 | 379,977 | 936,716 | 3,044,954 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 11,969 | 2,186 | 7,657 | - |
| Succeeding year | 1,944,000 | 342,000 | 1,062,000 | - |
| Interest and penalty on property tax | 34,708 | - | - | - |
| Accounts | 4 | - | 150 | 5,027 |
| Economic development loans | | - | - | - |
| E911 lease | 334,443 | - | - | - |
| Due from other governments | 233,192 | - | 68,704 | 284,129 |
| Inventories | - | - | - | 362,751 |
| Prepaid insurance | 90,385 | - | - | 80,806 |
| Total assets | \$ 4,341,741 | 724,163 | 2,075,227 | 3,777,667 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 39,369 | 26,048 | 4,826 | 72,861 |
| Salaries and benefits payable | 55,406 | - | 7,123 | 36,356 |
| Due to other governments | 10,671 | 151,185 | 2,200 | 251 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 1,944,000 | 342,000 | 1,062,000 | - |
| Other | 46,677 | 2,186 | 7,657 | - |
| Total liabilities | 2,096,123 | 521,419 | 1,083,806 | 109,468 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Supplemental levy purposes | 187,590 | - | - | - |
| E911 lease receivable | 334,443 | - | - | - |
| Unreserved: | | | | |
| Undesignated, reported in: | | | | |
| General fund | 1,723,585 | - | - | - |
| Special revenue funds | - | 202,744 | 991,421 | 3,668,199 |
| Total fund balances | 2,245,618 | 202,744 | 991,421 | 3,668,199 |
| Total liabilities and fund balances | \$ 4,341,741 | 724,163 | 2,075,227 | 3,777,667 |

See notes to financial statements.

| Nonmajor | Total |
|----------------|-------------------|
| 455,073 | 6,509,760 |
| - | 21,812 |
| 14,000 | 3,362,000 |
| - | 34,708 |
| 55 | 5,236 |
| 51,484 | 51,484 |
| - | 334,443 |
| - | 586,025 |
| - | 362,751 |
| - | 171,191 |
| <u>520,612</u> | <u>11,439,410</u> |
| 18,002 | 161,106 |
| 213 | 99,098 |
| - | 164,307 |
| 14,000 | 3,362,000 |
| 51,484 | 108,004 |
| <u>83,699</u> | <u>3,894,515</u> |
| - | 187,590 |
| - | 334,443 |
| - | 1,723,585 |
| 436,913 | 5,299,277 |
| <u>436,913</u> | <u>7,544,895</u> |
| <u>520,612</u> | <u>11,439,410</u> |

Butler County

Butler County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2005

Total governmental fund balances (page 19) \$ 7,544,895

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$16,717,958 and the accumulated depreciation is \$6,617,114. 10,100,844

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 108,004

Long-term liabilities, including capital loan notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (683,578)

Net assets of governmental activities (page 16) \$ 17,070,165

See notes to financial statements.

Butler County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2005

| | Special Revenue | | | |
|---|---------------------|------------------|------------------|------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other county tax | \$ 1,973,481 | 360,673 | 1,294,930 | 177,848 |
| Interest and penalty on property tax | 34,668 | - | - | - |
| Intergovernmental | 1,234,990 | 894,066 | 246,781 | 2,920,031 |
| Licenses and permits | - | - | 9,490 | 2,075 |
| Charges for service | 404,772 | 6,556 | 1,350 | 4,545 |
| Use of money and property | 193,350 | - | - | 1,891 |
| Miscellaneous | 152,340 | - | 1,112 | 115,080 |
| Total revenues | <u>3,993,601</u> | <u>1,261,295</u> | <u>1,553,663</u> | <u>3,221,470</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 1,010,952 | - | 365,488 | - |
| Physical health and social services | 1,184,164 | - | - | - |
| Mental health | - | 1,165,030 | - | - |
| County environment and education | 258,885 | - | 274,298 | - |
| Roads and transportation | - | - | 50,344 | 3,697,215 |
| Governmental services to residents | 414,535 | - | 6,970 | - |
| Administration | 1,099,842 | - | - | - |
| Non-program | 60 | - | - | - |
| Debt service | 18,707 | - | - | - |
| Capital projects | - | - | - | 446,242 |
| Total expenditures | <u>3,987,145</u> | <u>1,165,030</u> | <u>697,100</u> | <u>4,143,457</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>6,456</u> | <u>96,265</u> | <u>856,563</u> | <u>(921,987)</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | - | - | - | 1,073 |
| Operating transfers in | - | - | - | 999,162 |
| Operating transfers out | - | - | (999,162) | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(999,162)</u> | <u>1,000,235</u> |
| Net change in fund balances | 6,456 | 96,265 | (142,599) | 78,248 |
| Fund balances beginning of year | <u>2,239,162</u> | <u>106,479</u> | <u>1,134,020</u> | <u>3,589,951</u> |
| Fund balances end of year | <u>\$ 2,245,618</u> | <u>202,744</u> | <u>991,421</u> | <u>3,668,199</u> |

See notes to financial statements.

| Nonmajor | Total |
|----------------|-------------------|
| 13,276 | 3,820,208 |
| - | 34,668 |
| 20,751 | 5,316,619 |
| - | 11,565 |
| 18,034 | 435,257 |
| 62,557 | 257,798 |
| 24,562 | 293,094 |
| <u>139,180</u> | <u>10,169,209</u> |

| | |
|----------------|-------------------|
| 6,151 | 1,382,591 |
| - | 1,184,164 |
| - | 1,165,030 |
| 28,575 | 561,758 |
| - | 3,747,559 |
| 29,339 | 450,844 |
| - | 1,099,842 |
| - | 60 |
| 30,627 | 49,334 |
| 66,149 | 512,391 |
| <u>160,841</u> | <u>10,153,573</u> |

| | |
|----------|--------|
| (21,661) | 15,636 |
|----------|--------|

| | |
|-----------------|--------------------|
| - | 1,073 |
| 11,920 | 1,011,082 |
| <u>(11,920)</u> | <u>(1,011,082)</u> |
| - | 1,073 |

| | |
|----------|--------|
| (21,661) | 16,709 |
|----------|--------|

| | |
|---------|-----------|
| 458,574 | 7,528,186 |
|---------|-----------|

| | |
|----------------|------------------|
| <u>436,913</u> | <u>7,544,895</u> |
|----------------|------------------|

Butler County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2005

Net change in fund balances - Total governmental funds (page 23) \$ 16,709

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation in the current year, as follows:

| | | |
|---|------------|-----------|
| Expenditures for capital assets | \$ 703,660 | |
| Capital assets contributed by the Iowa Department of Transportation | 1,926,822 | |
| Depreciation expense | (952,505) | 1,677,977 |
| | | |

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 148,593

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

| | | |
|--------------|----------|---------|
| Property tax | 13,533 | |
| Other | (22,124) | (8,591) |
| | | |

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment decreases long-term liabilities in the Statement of Net Assets. 29,942

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

| | | |
|----------------------------|----------|----------|
| Compensated absences | (36,014) | |
| Interest on long-term debt | (8,326) | (44,340) |
| | | |

Change in net assets of governmental activities (page 17) \$ 1,820,290

See notes to financial statements.

Butler County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2005

Assets

| | |
|------------------------------|-------------------|
| Cash and pooled investments: | |
| County Treasurer | \$ 799,149 |
| Other County officials | 90,998 |
| Receivables: | |
| Property tax: | |
| Delinquent | 53,996 |
| Succeeding year | 11,568,000 |
| Accounts | 24,412 |
| Due from other governments | 5,921 |
| Special Assessments | 279,799 |
| Total assets | <u>12,822,275</u> |

Liabilities

| | |
|-------------------------------|-------------------|
| Accounts payable | 27,709 |
| Salaries and benefits payable | 6,270 |
| Due to other governments | 12,698,465 |
| Trusts payable | 85,182 |
| Compensated absences | 4,649 |
| Total liabilities | <u>12,822,275</u> |

| | |
|-------------------|--------------------|
| Net assets | <u><u>\$ -</u></u> |
|-------------------|--------------------|

See notes to financial statements.

Butler County

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Butler County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Butler County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Butler County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationships with the County.

Blended Component Unit – The following component unit is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate fund.

A drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Butler County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the individual drainage district can be obtained from the Butler County Auditor's Office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Butler County Assessor's Conference Board, Butler County Emergency Management Commission and Butler County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Iowa Northland Regional Council of Governments, Job Training Partnership Act, Butler County Solid Waste Commission, North Iowa Juvenile Detention Services Commission, Multi-County Child Support Enforcement Office, Northeast Iowa Response Group, Allison Area Department of Human Services Cluster and North Central Iowa Network Sharing Agreement.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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 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, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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 County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u> | <u>Amount</u> |
|----------------------------------|---------------|
| Infrastructure | \$ 50,000 |
| Land, buildings and improvements | 25,000 |
| Equipment and vehicles | 5,000 |

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

| Asset Class | Estimated Useful Lives (In Years) |
|-----------------------|--------------------------------------|
| Buildings | 25-50 |
| Building improvements | 25-50 |
| Infrastructure | 10-75 |
| Equipment | 3-20 |
| Vehicles | 5-15 |

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and comp hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the roads and transportation and non-program functions.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

| Transfer to | Transfer from | Amount |
|-------------------------------------|---|--------------|
| Special Revenue: Secondary Roads | Special Revenue: Rural Services | \$ 999,162 |
| Debt Service | Special Revenue: Sinclair Elevator Project - TIF | 11,920 |
| Total | | \$ 1,011,082 |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-----------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 374,570 | - | - | 374,570 |
| Construction in progress | 526,920 | - | (526,920) | - |
| Total capital assets not being depreciated | 901,490 | - | (526,920) | 374,570 |
| Capital assets being depreciated: | | | | |
| Buildings | 1,823,019 | 45,180 | - | 1,868,199 |
| Equipment and vehicles | 7,929,418 | 544,847 | (321,531) | 8,152,734 |
| Infrastructure, other | 414,234 | - | - | 414,234 |
| Infrastructure, road network | 3,174,006 | 2,734,215 | - | 5,908,221 |
| Total capital assets being depreciated | 13,340,677 | 3,324,242 | (321,531) | 16,343,388 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,743,061 | 6,891 | - | 1,749,952 |
| Equipment and vehicles | 4,153,051 | 604,142 | (303,284) | 4,453,909 |
| Infrastructure, other | 13,808 | 6,904 | - | 20,712 |
| Infrastructure, road network | 57,973 | 334,568 | - | 392,541 |
| Total accumulated depreciation | 5,967,893 | 952,505 | (303,284) | 6,617,114 |
| Total capital assets being depreciated, net | 7,372,784 | 2,371,737 | (18,247) | 9,726,274 |
| Governmental activities capital assets, net | \$ 8,274,274 | 2,371,737 | (545,167) | 10,100,844 |

Depreciation expense was charged to the following functions:

| | |
|--|------------|
| Governmental activities: | |
| Public safety and legal services | \$ 123,795 |
| Physical health and social services | 22,123 |
| County environment and education | 24,212 |
| Roads and transportation | 738,717 |
| Governmental services to residents | 7,300 |
| Administration | 36,358 |
| Total depreciation expense - governmental activities | \$ 952,505 |

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|----------------------------------|--------------------|-----------------------------|
| General | Services | <u>\$ 10,671</u> |
| Special Revenue: | | |
| Mental Health | Services | 151,185 |
| Rural Services | Services | 2,200 |
| Secondary Roads | Services | <u>251</u> |
| | | <u>153,636</u> |
| Total for governmental funds | | <u><u>\$ 164,307</u></u> |
| Agency: | | |
| Agricultural Extension Education | Collections | \$ 103,215 |
| County Assessor | | 381,969 |
| Schools | | 8,270,757 |
| Community Colleges | | 445,536 |
| Corporations | | 2,546,169 |
| Townships | | 166,045 |
| City special assessments | | 281,378 |
| Auto License and Use Tax | | 279,703 |
| Empowerment Board | | 140,059 |
| All other | | <u>83,634</u> |
| Total for agency funds | | <u><u>\$ 12,698,465</u></u> |

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

| | <u>General</u> | <u>Compen-</u> | |
|---------------------|-------------------|-----------------|----------------|
| | <u>Obligation</u> | <u>sated</u> | |
| | <u>Capital</u> | <u>Absences</u> | <u>Total</u> |
| | <u>Loan Notes</u> | | |
| Balance beginning | | | |
| of year | \$ 394,385 | 274,636 | 669,021 |
| Increases | - | 292,293 | 292,293 |
| Decreases | 29,942 | 256,279 | 286,221 |
| | | | |
| Balance end of year | <u>\$ 364,443</u> | <u>310,650</u> | <u>675,093</u> |
| | | | |
| Due within one year | <u>\$ 36,537</u> | <u>233,365</u> | <u>269,902</u> |

(7) General Obligation Capital Loan Notes

Capital Loan Notes for Urban Renewal Project – General obligation capital loan notes were issued on October 1, 1998, totaling \$60,000, for the purpose of paying costs of an urban renewal project, including a grant to Sinclair Elevator. A Special Revenue, Sinclair Elevator Project TIF Fund has been established for the collection of tax increment financing revenues which will be used to pay off the capital loan notes.

A summary of the County's June 30, 2005 general obligation capital loan note indebtedness for this issue is as follows:

| Year ending June 30, | Interest Rates | Principal | Interest | Total |
|----------------------------|-------------------|-----------|----------|--------|
| 2006 | 4.80% | \$ 10,000 | 1,440 | 11,440 |
| 2007 | 4.80 | 10,000 | 960 | 10,960 |
| 2008 | 4.80 | 10,000 | 480 | 10,480 |
| Total | | \$ 30,000 | 2,880 | 32,880 |

During the year ended June 30, 2005, notes totaling \$10,000 were retired.

Capital Loan Note for E911 Service Board Equipment – A general obligation capital loan note issued on December 3, 2001, totaling \$390,000, for the purpose of paying costs of acquiring replacement equipment for use by the Butler County E911 Service Board was refinanced on June 22, 2005. The note is to be paid from the General Fund in 45 equal quarterly payments of \$9,735, including interest of 5% per annum, with a final payment of \$4,863 due on May 1, 2016. The balance of the note at June 30, 2005 totaled \$334,443.

(8) E911 Lease Receivable

The County entered into a lease agreement with the E911 Service Board. Under the agreement, the E911 Service Board is to make quarterly payments of \$9,735 to the County, an amount equal to the quarterly payment required by the capital loan note, as detailed in Note 7 of the notes to financial statements. The payments from the E911 Service Board are credited to the General Fund. The following is a schedule of the future minimum lease payments to be received by the County, including interest of 5% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2005.

| Year ending June 30, | Total |
|--|------------|
| 2006 | \$ 38,941 |
| 2007 | 38,941 |
| 2008 | 38,941 |
| 2009 | 38,941 |
| 2010 | 38,941 |
| 2011-2015 | 194,705 |
| 2016 | 43,805 |
| Total minimum lease payments | 433,215 |
| Less amount representing interest | (98,772) |
| Present value of net minimum lease payments | \$ 334,443 |

(9) Butler County Economic Development Revolving Loan Fund

Butler County has fourteen economic development loans receivable totaling \$51,484 as of June 30, 2005 due from businesses located in Butler County. The loans were made to the businesses to promote economic development.

The loans are to be repaid to Butler County in monthly and quarterly installments over five years, with interest at rates ranging from 5.00% to 7.00% per annum. The loan repayments from the businesses remain in the Butler County Economic Development Revolving Loan Fund for future loans to other businesses.

(10) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$226,197, \$216,275 and \$209,859, respectively, equal to the required contributions for each year.

(11) Risk Management

Butler County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2005 were \$152,480.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Butler County

Required Supplementary Information

Butler County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2005

| | <u>Actual</u> |
|---|---------------------|
| Receipts: | |
| Property and other county tax | \$ 3,810,408 |
| Interest and penalty on property tax | 34,669 |
| Intergovernmental | 5,201,153 |
| Licenses and permits | 11,475 |
| Charges for service | 457,855 |
| Use of money and property | 289,938 |
| Miscellaneous | 276,010 |
| Total receipts | <u>10,081,508</u> |
| Disbursements: | |
| Public safety and legal services | 1,377,760 |
| Physical health and social services | 1,174,859 |
| Mental health | 1,131,564 |
| County environment and education | 561,526 |
| Roads and transportation | 3,824,094 |
| Governmental services to residents | 450,420 |
| Administration | 1,112,215 |
| Non-program | 60 |
| Debt service | 49,333 |
| Capital projects | 497,121 |
| Total disbursements | <u>10,178,952</u> |
| Excess (deficiency) of receipts over (under) disbursements | (97,444) |
| Other financing sources, net | <u>1,073</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (96,371) |
| Balance beginning of year | <u>6,606,131</u> |
| Balance end of year | <u>\$ 6,509,760</u> |

See accompanying independent auditor's report.

| Less Funds not Required to be Budgeted | Net | Budgeted Amounts | | Final to Net Variance |
|---|------------|------------------|-------------|-----------------------------|
| | | Original | Final | |
| - | 3,810,408 | 3,922,300 | 3,922,300 | (111,892) |
| - | 34,669 | 7,500 | 7,500 | 27,169 |
| - | 5,201,153 | 5,068,135 | 5,083,160 | 117,993 |
| - | 11,475 | 11,800 | 11,800 | (325) |
| - | 457,855 | 475,220 | 475,220 | (17,365) |
| - | 289,938 | 248,294 | 248,294 | 41,644 |
| - | 276,010 | 116,050 | 137,250 | 138,760 |
| - | 10,081,508 | 9,849,299 | 9,885,524 | 195,984 |
| - | 1,377,760 | 1,421,852 | 1,443,052 | 65,292 |
| - | 1,174,859 | 1,279,420 | 1,287,631 | 112,772 |
| - | 1,131,564 | 1,200,000 | 1,200,000 | 68,436 |
| 90 | 561,436 | 626,684 | 633,496 | 72,060 |
| - | 3,824,094 | 3,795,000 | 3,795,000 | (29,094) |
| - | 450,420 | 325,997 | 468,797 | 18,377 |
| - | 1,112,215 | 1,182,130 | 1,226,130 | 113,915 |
| - | 60 | - | - | (60) |
| - | 49,333 | 49,355 | 49,355 | 22 |
| - | 497,121 | 1,084,000 | 1,084,000 | 586,879 |
| 90 | 10,178,862 | 10,964,438 | 11,187,461 | 1,008,599 |
| (90) | (97,354) | (1,115,139) | (1,301,937) | 1,204,583 |
| - | 1,073 | - | - | 1,073 |
| (90) | (96,281) | (1,115,139) | (1,301,937) | 1,205,656 |
| 1,093 | 6,605,038 | 5,243,140 | 5,243,140 | 1,361,898 |
| 1,003 | 6,508,757 | 4,128,001 | 3,941,203 | 2,567,554 |

Butler County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

| | Governmental Funds | | |
|------------------------------|--------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 10,081,508 | 87,701 | 10,169,209 |
| Expenditures | 10,178,952 | (25,379) | 10,153,573 |
| Net | (97,444) | 113,080 | 15,636 |
| Other financing sources, net | 1,073 | - | 1,073 |
| Beginning fund balances | 6,606,131 | 922,055 | 7,528,186 |
| Ending fund balances | \$ 6,509,760 | 1,035,135 | 7,544,895 |

See accompanying independent auditor's report.

Butler County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$223,023. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the roads and transportation and non-program functions.

Butler County

Other Supplementary Information

Butler County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

| | Economic Development Revolving Loan | Sinclair Elevator Project - TIF | Sheriff's Commisary and Telephone | Seized and Forfeited Property |
|--|--|---------------------------------------|---|--|
| Assets | | | | |
| Cash and pooled investments | \$ 131,362 | 26,975 | 5,984 | 6,118 |
| Receivables: | | | | |
| Succeeding year property tax | - | 14,000 | - | - |
| Accounts | - | - | 55 | - |
| Economic development loans | 51,484 | - | - | - |
| Total assets | \$ 182,846 | 40,975 | 6,039 | 6,118 |
| Liabilities and Fund Equity | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 36 | - | - | - |
| Salaries and benefits payable | - | - | - | - |
| Deferred revenue: | | | | |
| Succeeding year property tax | - | 14,000 | - | - |
| Other | 51,484 | - | - | - |
| Total liabilities | 51,520 | 14,000 | - | - |
| Fund equity: | | | | |
| Fund balances: | | | | |
| Unrestricted | 131,326 | 26,975 | 6,039 | 6,118 |
| Total liabilities and fund equity | \$ 182,846 | 40,975 | 6,039 | 6,118 |

See accompanying independent auditor's report.

| Special Revenue | | | | | | | | |
|-------------------------|---|--|-----------------------|-------------------------------------|----------------------------|--|---------|--|
| Sesquennial Memorial | County Recorder's Records Management | County Recorder's Electronic Transfer Fee | Drainage Districts | Conservation Land Acquisition | Conser- vation Trust | Resource Enhancement and Protection | Total | |
| 841 | 15,448 | 8,363 | 1,003 | 120,797 | 72,115 | 66,067 | 455,073 | |
| - | - | - | - | - | - | - | 14,000 | |
| - | - | - | - | - | - | - | 55 | |
| - | - | - | - | - | - | - | 51,484 | |
| 841 | 15,448 | 8,363 | 1,003 | 120,797 | 72,115 | 66,067 | 520,612 | |
| - | - | - | - | - | 17,966 | - | 18,002 | |
| - | - | 213 | - | - | - | - | 213 | |
| - | - | - | - | - | - | - | 14,000 | |
| - | - | - | - | - | - | - | 51,484 | |
| - | - | 213 | - | - | 17,966 | - | 83,699 | |
| 841 | 15,448 | 8,150 | 1,003 | 120,797 | 54,149 | 66,067 | 436,913 | |
| 841 | 15,448 | 8,363 | 1,003 | 120,797 | 72,115 | 66,067 | 520,612 | |

Butler County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2005

| | Economic Development Revolving Loan | Sinclair Elevator Project - TIF | Sheriff's Commisary and Telephone | Seized and Forfeited Property |
|--|--|---------------------------------------|---|--|
| Revenues: | | | | |
| Property and other county tax | \$ - | 13,276 | - | - |
| Intergovernmental | - | 16 | - | - |
| Charges for service | - | - | - | - |
| Use of money and property | 40,692 | - | 347 | - |
| Miscellaneous | - | - | - | - |
| Total revenues | 40,692 | 13,292 | 347 | - |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | - | - | - | 6,151 |
| County environment and education | 28,405 | - | - | - |
| Governmental services to residents | - | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Total expenditures | 28,405 | - | - | 6,151 |
| Excess (deficiency) of revenues over under expenditures | 12,287 | 13,292 | 347 | (6,151) |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | (11,920) | - | - |
| Total other financing sources (uses) | - | (11,920) | - | - |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 12,287 | 1,372 | 347 | (6,151) |
| Fund balances beginning of year | 119,039 | 25,603 | 5,692 | 12,269 |
| Fund balances end of year | \$ 131,326 | 26,975 | 6,039 | 6,118 |

See accompanying independent auditor's report.

| Special Revenue | | | | | | | | |
|-------------------------|--|---|-----------------------|-------------------------------------|-----------------------|--|-----------------|----------|
| Sesquennial Memorial | County Recorder's Record Management | County Recorder's Electronic Transaction Fee | Drainage Districts | Conservation Land Acquisition | Conservation Trust | Resource Enhancement and Protection | Debt Service | Total |
| - | - | - | - | - | - | - | - | 13,276 |
| - | - | - | - | 10,317 | - | 10,418 | - | 20,751 |
| - | 3,838 | 14,196 | - | - | - | - | - | 18,034 |
| 16 | 220 | 417 | - | - | 1,120 | 1,038 | 18,707 | 62,557 |
| - | - | - | - | 9,847 | 14,092 | 623 | - | 24,562 |
| 16 | 4,058 | 14,613 | - | 20,164 | 15,212 | 12,079 | 18,707 | 139,180 |
| - | - | - | - | - | - | - | - | 6,151 |
| 80 | - | - | 90 | - | - | - | - | 28,575 |
| - | 63 | 29,276 | - | - | - | - | - | 29,339 |
| - | - | - | - | - | - | - | 30,627 | 30,627 |
| - | - | - | - | 43,833 | 17,966 | 4,350 | - | 66,149 |
| 80 | 63 | 29,276 | 90 | 43,833 | 17,966 | 4,350 | 30,627 | 160,841 |
| (64) | 3,995 | (14,663) | (90) | (23,669) | (2,754) | 7,729 | (11,920) | (21,661) |
| - | - | - | - | - | - | - | 11,920 | 11,920 |
| - | - | - | - | - | - | - | - | (11,920) |
| - | - | - | - | - | - | - | 11,920 | - |
| (64) | 3,995 | (14,663) | (90) | (23,669) | (2,754) | 7,729 | - | (21,661) |
| 905 | 11,453 | 22,813 | 1,093 | 144,466 | 56,903 | 58,338 | - | 458,574 |
| 841 | 15,448 | 8,150 | 1,003 | 120,797 | 54,149 | 66,067 | - | 436,913 |

Butler County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2005

| | County Offices | Agricultural Extension Education | County Assessor | Schools | Community Colleges |
|-------------------------------|-------------------|--|--------------------|------------------|-----------------------|
| Assets | | | | | |
| Cash and pooled investments: | | | | | |
| County Treasurer | \$ - | 1,654 | 90,455 | 133,129 | 7,843 |
| Other county officials | 90,998 | - | - | - | - |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | - | 561 | 1,664 | 41,628 | 2,693 |
| Succeeding year | - | 101,000 | 309,000 | 8,096,000 | 435,000 |
| Accounts | - | - | 342 | - | - |
| Due from other governments | - | - | - | - | - |
| Special assessments | - | - | - | - | - |
| Total assets | \$ 90,998 | 103,215 | 401,461 | 8,270,757 | 445,536 |
| Liabilities | | | | | |
| Accounts payable | \$ - | - | 10,404 | - | - |
| Salaries and benefits payable | - | - | 4,439 | - | - |
| Due to other governments | 5,816 | 103,215 | 381,969 | 8,270,757 | 445,536 |
| Trusts payable | 85,182 | - | - | - | - |
| Compensated absences | - | - | 4,649 | - | - |
| Total liabilities | \$ 90,998 | 103,215 | 401,461 | 8,270,757 | 445,536 |

See accompanying independent auditor's report.

| Corporations | Townships | City Special Assessments | Auto License and Use Tax | Empowerment Board | Other | Total |
|------------------|----------------|--------------------------|--------------------------|-------------------|---------------|-------------------|
| 76,932 | 2,864 | 1,579 | 279,703 | 156,521 | 48,469 | 799,149 |
| - | - | - | - | - | - | 90,998 |
| 6,237 | 1,181 | - | - | - | 32 | 53,996 |
| 2,463,000 | 162,000 | - | - | - | 2,000 | 11,568,000 |
| - | - | - | - | - | 24,070 | 24,412 |
| - | - | - | - | - | 5,921 | 5,921 |
| - | - | 279,799 | - | - | - | 279,799 |
| 2,546,169 | 166,045 | 281,378 | 279,703 | 156,521 | 80,492 | 12,822,275 |
| - | - | - | - | 15,716 | 1,589 | 27,709 |
| - | - | - | - | 746 | 1,085 | 6,270 |
| 2,546,169 | 166,045 | 281,378 | 279,703 | 140,059 | 77,818 | 12,698,465 |
| - | - | - | - | - | - | 85,182 |
| - | - | - | - | - | - | 4,649 |
| 2,546,169 | 166,045 | 281,378 | 279,703 | 156,521 | 80,492 | 12,822,275 |

Butler County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2005

| | County Offices | Agricultural Extension Education | County Assessor | Schools | Community Colleges |
|------------------------------------|-------------------|--|--------------------|-----------|-----------------------|
| Assets and Liabilities | | | | | |
| Balances beginning of year | \$ 85,830 | 101,982 | 489,827 | 7,964,422 | 475,563 |
| Additions: | | | | | |
| Property and other county tax | - | 93,560 | 287,947 | 7,521,691 | 401,112 |
| E911 surcharge | - | - | - | - | - |
| State tax credits | - | 7,517 | 22,316 | 591,287 | 35,312 |
| Office fees and collections | 245,905 | - | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - | - |
| Assessments | - | - | - | - | - |
| Trusts | 177,412 | - | - | - | - |
| Miscellaneous | - | - | 7,117 | - | - |
| Total additions | 423,317 | 101,077 | 317,380 | 8,112,978 | 436,424 |
| Deductions: | | | | | |
| Agency remittances: | | | | | |
| To other funds | 130,378 | - | - | - | - |
| To other governments | 115,089 | 99,844 | 405,746 | 7,806,643 | 466,451 |
| Trusts paid out | 172,682 | - | - | - | - |
| Total deductions | 418,149 | 99,844 | 405,746 | 7,806,643 | 466,451 |
| Balances end of year | \$ 90,998 | 103,215 | 401,461 | 8,270,757 | 445,536 |

See accompanying independent auditor's report.

| Corpora- tions | Townships | City Special Assess- ments | Auto License and Use Tax | Empowerment Board | Other | Total |
|-------------------|-----------|-------------------------------------|-----------------------------------|----------------------|---------|------------|
| 2,710,116 | 173,632 | 4,117 | 287,571 | 176,102 | 82,732 | 12,551,894 |
| 2,252,382 | 150,627 | - | - | - | 1,909 | 10,709,228 |
| - | - | - | - | - | 163,921 | 163,921 |
| 219,252 | 11,861 | - | - | - | 155 | 887,700 |
| - | - | - | - | - | - | 245,905 |
| - | - | - | 3,422,350 | - | - | 3,422,350 |
| - | - | 409,386 | - | - | - | 409,386 |
| - | - | - | - | - | - | 177,412 |
| - | - | - | - | 375,696 | 90,084 | 472,897 |
| 2,471,634 | 162,488 | 409,386 | 3,422,350 | 375,696 | 256,069 | 16,488,799 |
| - | - | - | 12,662 | - | - | 143,040 |
| 2,635,581 | 170,075 | 132,125 | 3,417,556 | 395,277 | 258,309 | 15,902,696 |
| - | - | - | - | - | - | 172,682 |
| 2,635,581 | 170,075 | 132,125 | 3,430,218 | 395,277 | 258,309 | 16,218,418 |
| 2,546,169 | 166,045 | 281,378 | 279,703 | 156,521 | 80,492 | 12,822,275 |

Schedule 5

Butler County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Five Years

| | Modified Accrual Basis | | | | |
|--------------------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| Revenues: | | | | | |
| Property and other county tax | \$ 3,820,208 | 4,223,382 | 3,961,242 | 4,102,879 | 3,974,387 |
| Interest and penalty on property tax | 34,668 | 41,696 | 35,204 | 39,466 | 40,118 |
| Intergovernmental | 5,316,619 | 5,088,430 | 5,847,451 | 5,469,286 | 5,360,586 |
| Licenses and permits | 11,565 | 15,943 | 6,510 | 6,230 | 5,140 |
| Charges for service | 435,257 | 498,244 | 452,385 | 410,082 | 352,713 |
| Use of money and property | 257,798 | 265,270 | 304,188 | 345,162 | 480,185 |
| Miscellaneous | 293,094 | 189,405 | 261,049 | 126,284 | 108,295 |
| Total | <u>\$ 10,169,209</u> | <u>10,322,370</u> | <u>10,868,029</u> | <u>10,499,389</u> | <u>10,321,424</u> |
| Expenditures: | | | | | |
| Operating: | | | | | |
| Public safety and legal services | \$ 1,382,591 | 1,268,846 | 1,263,978 | 1,112,635 | 1,046,865 |
| Physical health and social services | 1,184,164 | 1,153,795 | 1,236,351 | 1,174,052 | 1,096,568 |
| Mental health | 1,165,030 | 1,114,860 | 1,114,443 | 1,093,461 | 1,082,024 |
| County environment and education | 561,758 | 588,832 | 1,306,388 | 746,221 | 505,722 |
| Roads and transportation | 3,747,559 | 3,559,552 | 3,636,570 | 3,437,410 | 3,757,953 |
| Governmental services to residents | 450,844 | 269,112 | 245,312 | 237,434 | 195,727 |
| Administration | 1,099,842 | 1,287,024 | 1,241,945 | 1,174,029 | 1,064,626 |
| Non-program | 60 | - | 832 | - | 342 |
| Debt service | 49,334 | 37,413 | 45,052 | 7,880 | 2,880 |
| Capital projects | 512,391 | 1,440,397 | 754,202 | 1,041,571 | 639,672 |
| Total | <u>\$ 10,153,573</u> | <u>10,719,831</u> | <u>10,845,073</u> | <u>10,024,693</u> | <u>9,392,379</u> |

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Officials of Butler County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Butler County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated October 28, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Butler County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Butler County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

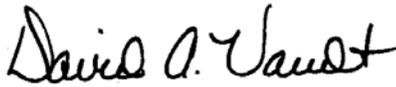
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Butler County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Butler County and other parties to whom Butler County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Butler County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 28, 2005

Butler County

Schedule of Findings

Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

| | <u>Applicable Offices</u> |
|--|-------------------------------|
| (1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared. | Treasurer |
| (2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting of cash. | Recorder, Treasurer |
| (3) Bank accounts are not reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. | Recorder, Treasurer |
| (4) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash. | Recorder |

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Response –

County Treasurer – All staff must handle cash and deposits. Cash is counted and receipted immediately. I will do what I can with the limited number of staff.

County Recorder – We segregate duties as much as we can with only three people working in our office.

Conclusion – Response accepted.

Butler County

Schedule of Findings

Year ended June 30, 2005

- (B) County Treasurer – The Auto Department has a “Monthly Changed Transaction Report” on its old software system to report changes in use tax fees due to the state. In January 2005, the County Treasurer’s office obtained a new software system for auto and use tax fees. Since January 2005, the “Monthly Changed Transaction Report” has not been printed and reviewed to determine if the changes to use tax fees are proper.

Recommendation – The “Monthly Changed Transaction Report” should be printed and reviewed each month to determine changes in use tax fees are proper.

Response – I am in contact with the state and software vendor and will run the report as soon as they determine how to run it.

Conclusion – Response accepted.

Butler County

Schedule of Findings

Year ended June 30, 2005

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- (2) Certified Budget – Disbursements exceeded the amounts budgeted in the roads and transportation and non-program functions.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Secondary Roads office staff did not understand that they could not exceed separate fund budgets, but instead relied on the total amount of appropriations for the fiscal year. The County Auditor’s office staff failed to closely watch budgeted amounts. In the future, both the Secondary Roads office staff and the County Auditor’s office staff will more closely monitor budgeted amounts in individual funds.

Conclusion – Response accepted.

- (3) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|-------------------------|--------|
| Northview Apartments, owned by County Auditor's husband | Rental of office space | \$ 250 |

In accordance with Chapter 331.342(10) of the Code, this transaction does not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year.

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

Butler County

Schedule of Findings

Year ended June 30, 2005

- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- (10) County Assessor Budget – Disbursements for the County Assessor Special Appraiser’s Fund exceeded the amount budgeted.

Recommendation - The budget should have been amended by the County Assessor Conference Board in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – I misunderstood my responsibility though the Conference Board approval and a written contract allowed me to pay the bills as they were presented. I will amend my budget in the future if this situation arises.

Conclusion – Response accepted.

- (11) E911 Budget – Disbursements for the E911 Service Commission exceeded the amount budgeted.

Recommendation - The budget should have been amended by the E911 Service Commission in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The E911 Commission amended the budget but did not anticipate the expenditures as much as they ended up being. The next time the E911 Commission does a budget amendment, it will do a better job of projecting the expenditures.

Conclusion – Response accepted.

- (12) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

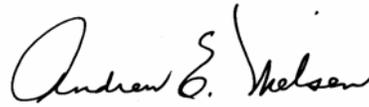
Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

Butler County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Billie Jo Heth, Senior Auditor
Jennifer R. Edgar, Staff Auditor
Bobbie J. Zediker, Assistant Auditor
Kara E. Rasmussen, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State