



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

March 7, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Butler County, Iowa.

The County had local tax revenue of \$23,276,516 for the year ended June 30, 2013, which included \$1,133,170 in tax credits from the state. The County forwarded \$17,237,027 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,039,489 of the local tax revenue to finance County operations, a 1.7% increase over the prior year. Other revenues included charges for service of \$1,428,207, operating grants, contributions and restricted interest of \$23,782,646, capital grants, contributions and restricted interest of \$1,877,665, local option sales tax of \$475,028, unrestricted investment earnings of \$142,484 and other general revenues of \$466,403.

Expenses for County operations for the year ended June 30, 2013 totaled \$33,209,463, a 23.6% decrease from the prior year. Expenses included \$20,907,402 for mental health, \$6,024,166 for roads and transportation and \$2,015,410 for public safety and legal services.

The significant decrease in expenses is due primarily to reduced costs associated with mental health services due to a change in the method the State pays for Medicaid reimbursed services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1310-0012-B00F.pdf>.

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BUTLER COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor’s Report			5-7
Management’s Discussion and Analysis			9-15
Basic Financial Statements:		<u>Exhibit</u>	
Government-wide Financial Statements:			
Statement of Net Position	A		18
Statement of Activities	B		19
Governmental Fund Financial Statements:			
Balance Sheet	C		20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D		23
Statement of Revenues, Expenditures and Changes in Fund Balances	E		24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F		26
Fiduciary Fund Financial Statement:			
Statement of Fiduciary Assets and Liabilities – Agency Funds	G		27
Notes to Financial Statements			28-43
Required Supplementary Information:			
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds			46
Budget to GAAP Reconciliation			47
Notes to Required Supplementary Information – Budgetary Reporting			48
Schedule of Funding Progress for the Retiree Health Plan			49
Supplementary Information:		<u>Schedule</u>	
Nonmajor Governmental Funds:			
Combining Balance Sheet	1		52-53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2		54-55
Agency Funds:			
Combining Schedule of Fiduciary Assets and Liabilities	3		56-57
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4		58-59
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5		60-61
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 <u>Government Auditing Standards</u>			63-64
Schedule of Findings			65-68
Staff			69

Butler County

Officials

(Before January 2013)

Karl Nelson	Board of Supervisors	Jan 2013
Tom Heidenwirth	Board of Supervisors	Jan 2015
Mark Reiher	Board of Supervisors	Jan 2015
Holly A. Fokkena	County Auditor	Jan 2013
Louise Squires (Resigned)	County Treasurer	Jan 2015
Janice Jacobs	County Recorder	Jan 2015
Jason Johnson	County Sheriff	Jan 2013
Gregory M. Lievens	County Attorney	Jan 2015
Deborah McWhirter	County Assessor	Jan 2016

(After January 2013)

Tom Heidenwirth	Board of Supervisors	Jan 2015
Mark Reiher	Board of Supervisors	Jan 2015
Rex Ackerman	Board of Supervisors	Jan 2017
Lizbeth (Liz) Williams	County Auditor	Jan 2017
Vicki Schoneman (Appointed)	County Treasurer	Nov 2014
Janice Jacobs	County Recorder	Jan 2015
Jason Johnson	County Sheriff	Jan 2017
Gregory M. Lievens	County Attorney	Jan 2015
Deborah McWhirter	County Assessor	Jan 2016

Butler County



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Independent Auditor's Report

To the Officials of Butler County:

Report on the Financial Statements

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, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 from material misstatement.

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

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

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 as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2014 on our consideration of Butler County's internal control over financial reporting and on 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 in considering Butler County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 18, 2014

Butler County

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, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Governmental activities revenues decreased \$8,271,120, or 19.5%, from fiscal year 2012 to fiscal year 2013. Operating grants, contributions and restricted interest decreased \$7,237,078, or 23.3%, capital grants, contributions and restricted interest decreased \$1,098,799, or 36.9%, and charges for service decreased \$122,975, or 7.9%.
- Governmental activities expenses decreased \$10,281,414 from fiscal year 2012 to fiscal year 2013. Mental health expenses decreased \$10,200,641 and roads and transportation expenses decreased \$195,440.
- Net position increased 3.3%, or \$1,002,459, from June 30, 2012 to June 30, 2013.

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 Position 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 financial 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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 Position 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 Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 years.

The County's governmental activities are presented in the Statement of Net Position 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, 3) the Debt Service Fund and 4) the Capital Projects 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

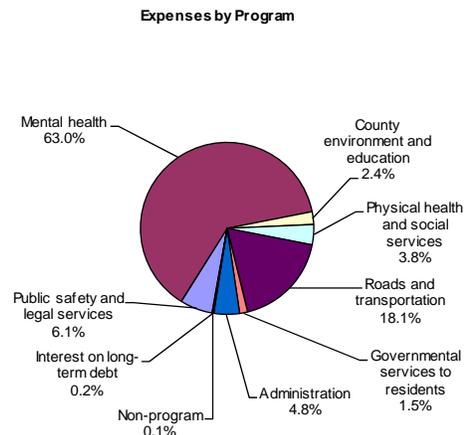
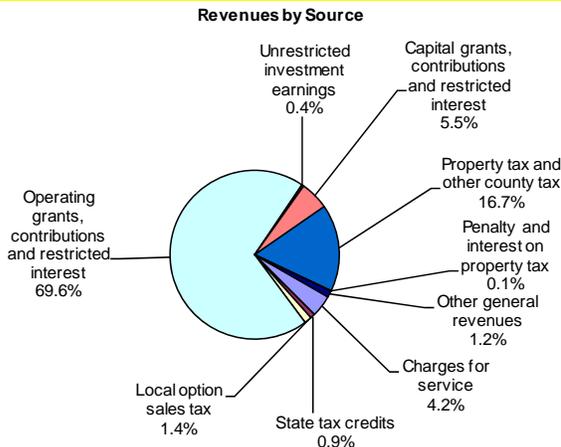
As noted earlier, net position may serve over time as a useful indicator of financial position. Butler County's net position at June 30, 2013 totaled \$31,232,485. This compares to \$30,230,026 at the end of fiscal year 2012. The analysis that follows focuses on the net position of governmental activities.

Net Position of Governmental Activities		
	June 30,	
	2013	2012
Current and other assets	\$ 17,255,729	21,690,335
Capital assets	28,054,272	27,533,506
Total assets	45,310,001	49,223,841
Long-term liabilities	3,971,038	4,261,320
Other liabilities	10,106,478	14,732,495
Total liabilities	14,077,516	18,993,815
Net position:		
Net investment in capital assets	24,844,272	24,348,743
Restricted	4,312,614	3,922,837
Unrestricted	2,075,599	1,958,446
Total net position	\$ 31,232,485	30,230,026

Net position of Butler County's governmental activities increased approximately \$1 million (\$31,232,485 compared to \$30,230,026). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position decreased approximately \$390,000, or 9.9%, from June 30, 2012 to June 30, 2013. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – is \$2,075,599 at June 30, 2013. Unrestricted net position increased approximately \$117,000, or 6.0%, from June 30, 2012 to June 30, 2013.

Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2013	2012
Revenues:		
Program revenues:		
Charges for service	\$ 1,428,207	1,551,182
Operating grants, contributions and restricted interest	23,782,646	31,019,724
Capital grants, contributions and restricted interest	1,877,665	2,976,464
General revenues:		
Property tax and other county tax	5,727,697	5,697,021
Penalty and interest on property tax	45,381	41,774
State tax credits	311,792	241,453
Local option sales tax	475,028	410,549
Unrestricted investment earnings	142,484	215,691
Other general revenues	421,022	329,184
Total revenues	34,211,922	42,483,042
Program expenses:		
Public safety and legal services	2,015,410	1,935,558
Physical health and social services	1,256,088	1,329,734
Mental health	20,907,402	31,108,043
County environment and education	790,859	731,390
Roads and transportation	6,024,166	6,219,606
Governmental services to residents	495,911	507,852
Administration	1,607,003	1,579,150
Non-program	36,118	1,184
Interest on long-term debt	76,506	78,360
Total expenses	33,209,463	43,490,877
Change in net position	1,002,459	(1,007,835)
Net position beginning of year	30,230,026	31,237,861
Net position end of year	\$ 31,232,485	30,230,026



Butler County increased the debt service tax levy rate by \$0.07829 per \$1,000 of taxable valuation for fiscal year 2013 and the mental health property tax levy rate decreased \$.01234 per \$1,000 of taxable valuation. Property tax revenue for fiscal year 2013 was budgeted to increase approximately \$204,000, primarily due to an increase in property valuations and an increase in the debt service levy. In addition, as Butler County continues to assume the role of fiscal agent for County Social Services and its member counties, mental health program expenses and related program revenues continue to increase, however for fiscal year 2013, activity actually decreased as the State has reduced state funding (revenues) as well as reducing county billings (expenses).

INDIVIDUAL MAJOR FUND ANALYSIS

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

- The General Fund, the operating fund for Butler County, ended fiscal year 2013 with a fund balance of \$3,006,601. This was a \$195,936 increase over fiscal year 2012, which ended at \$2,810,665.
- The Special Revenue, Mental Health Fund balance ended fiscal year 2013 with a fund balance of (\$429,226). This was an \$820,631 decrease from fiscal year 2012, which ended with a balance of \$391,405, primarily due to an increase in unpaid contributions due from member counties of the County Social Services consortium being administered through Butler County's Mental Health Fund.
- The Special Revenue, Rural Services Fund ended fiscal year 2013 with a fund balance of \$666,168, a decrease of \$8,422 from the ending balance for fiscal year 2012, which ended with a balance of \$674,590.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2013 with a fund balance of \$2,338,080. This is an increase of \$786,548 from the ending balance for fiscal year 2012, which ended with a balance of \$1,551,532, primarily due to a decrease in construction projects using local funds. Total Secondary Roads Fund expenditures decreased \$2,491,787 as the equipment and maintenance facility was completed in the prior fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Butler County amended its budget two times. The first amendment was made in October 2012 and resulted in an increase in budgeted disbursements of \$6,933,129, primarily to cover increased costs of administering mental health and disability services for additional member Counties which joined County Social Services (a joint venture for administering mental health and disability services for member Counties) and for purchasing additional road maintenance materials. Intergovernmental receipts also increased \$10,011,191, primarily for contributions from additional member Counties.

The second amendment occurred in March 2013. This amendment resulted in increased budgeted disbursements of \$6,224,952, primarily to cover increased costs of administering mental health and disability services for additional member Counties which joined County Social Services. Intergovernmental receipts were increased \$7,000,000 for contributions from additional member Counties.

The County's receipts were \$9,059,857 less than budgeted, a variance of 22.6%, primarily due to uncertainty in estimating receipts for County Social Services (a joint venture for administering mental health and disability services for twenty-one member Counties at June 30, 2013.)

Total disbursements were \$3,832,733 less than the amended budget. Mental health disbursements were \$1,572,560 less than budgeted due to uncertainty in estimating the costs for County Social Services, as well as anticipated savings due to efficiencies of the consortium. Capital projects disbursements were \$1,272,015 less than budgeted due to slower than anticipated progress on road paving and resurfacing projects. The remaining decrease of \$988,158 was accomplished by reduced spending in other functional areas.

Even with the budget amendments, the County exceeded the budgeted amount in the roads and transportation function for the year ended June 30, 2013. Additionally, disbursements exceeded the amount appropriated in one department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Butler County had approximately \$28.1 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 \$.5 million over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2013	2012
Land	\$ 845,778	845,778
Construction in progress	379,083	2,044,384
Buildings	1,674,978	1,714,039
Improvements other than buildings	33,350	34,938
Equipment and vehicles	3,349,612	3,811,750
Infrastructure	21,771,471	19,082,617
Total	<u>\$ 28,054,272</u>	<u>27,533,506</u>
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation	\$	1,569,836
Purchase of crane, hydroseeder and equipment for Secondary Roads		145,205
Purchase of vehicles for Sheriff's department		54,164
Purchase of servers and computer equipment		47,384
Total		<u>\$ 1,816,589</u>

The County had depreciation expense in fiscal year 2013 of \$1,836,181 and total accumulated depreciation of approximately \$14.0 million at June 30, 2013. The County's fiscal year 2013 capital projects expenditures totaled \$522,641, principally for completion of several paving and road resurfacing 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, 2013, Butler County had approximately \$3.334 million of outstanding general obligation debt, compared to approximately \$3.751 million of long-term debt at June 30, 2012.

Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2013	2012
General obligation capital loan notes	\$ 124	156
General obligation urban renewal bonds	1,930	2,065
General obligation bonds	1,280	1,530
Total	\$ 3,334	3,751

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% 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 \$63 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Butler County's officials considered many factors when setting the fiscal year 2014 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County for fiscal year 2013 (July 1, 2012 to June 30, 2013) was 4.3%. While this was a decrease from last year (4.6%), it remains substantially higher than past years, such as 3.76% in fiscal year 2007.

Butler County's unemployment rate was slightly lower than the State's unemployment rate of 5.0%, and almost 50% below the national rate of 7.8% for the same period.

For the fiscal year 2014 budget, the continuing increase in health insurance costs for employees remains the item of most concern, as well as keeping salaries in line with the cost of living.

Fiscal year 2014 budgeted receipts increased \$592,000 from fiscal year 2013 actuals, due primarily to the effect of additional counties joining County Social Services (a joint venture for administering mental health and disability services) for which the County acts as the fiscal agent and is reimbursed for the mental health costs incurred on behalf of the participating members at the time the budget was prepared.

If the budget estimates are realized, the County's fund balances are expected to decrease approximately \$1.1 million by the close of fiscal year 2014.

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 Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,337,432
Receivables:	
Property tax:	
Delinquent	5,236
Succeeding year	5,954,000
Succeeding year tax increment financing	56,000
Interest and penalty on property tax	14,912
Accounts	39,558
Economic development loans	72,285
E911 lease	123,811
Due from other governments	2,886,971
Inventories	591,795
Prepaid items	173,729
Capital assets, net of accumulated depreciation	28,054,272
Total assets	<u>45,310,001</u>
Liabilities	
Accounts payable	3,078,052
Salaries and benefits payable	109,204
Accrued interest payable	7,114
Due to other governments	902,108
Deferred revenue:	
Succeeding year:	
Property tax	5,954,000
Tax increment financing	56,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	33,368
General obligation bonds	390,000
Compensated absences	283,851
Portion due or payable after one year:	
General obligation capital loan notes	90,443
General obligation bonds	2,820,000
Compensated absences	85,876
Net OPEB liability	267,500
Total liabilities	<u>14,077,516</u>
Net Position	
Net investment in capital assets	24,844,272
Restricted for:	
Supplemental levy purposes	112,315
Mental health purposes	121,249
Rural services purposes	651,915
Secondary roads purposes	2,221,858
Conservation purposes	629,584
Debt service	178,859
Other purposes	396,834
Unrestricted	2,075,599
Total net position	<u>\$ 31,232,485</u>

See notes to financial statements.

Butler County
Statement of Activities
Year ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,015,410	255,591	1,890	3,000	(1,754,929)
Physical health and social services	1,256,088	588,634	319,932	-	(347,522)
Mental health	20,907,402	3,645	20,143,701	-	(760,056)
County environment and education	790,859	42,247	40,397	-	(708,215)
Roads and transportation	6,024,166	80,601	3,275,809	1,874,665	(793,091)
Governmental services to residents	495,911	288,145	-	-	(207,766)
Administration	1,607,003	169,344	917	-	(1,436,742)
Non-program	36,118	-	-	-	(36,118)
Interest on long-term debt	76,506	-	-	-	(76,506)
Total	\$ 33,209,463	1,428,207	23,782,646	1,877,665	(6,120,945)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,485,794
Debt service					215,019
Tax increment financing					26,884
Penalty and interest on property tax					45,381
State tax credits					311,792
Local option sales tax					475,028
Unrestricted investment earnings					142,484
Rent					220,167
Gain on disposal of capital assets					5,650
Miscellaneous					195,205
Total general revenues					7,123,404
Change in net position					1,002,459
Net position beginning of year					30,230,026
Net position end of year					\$ 31,232,485

See notes to financial statements.

Butler County
Balance Sheet
Governmental Funds

June 30, 2013

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 2,778,244	1,649,303	613,781
Receivables:			
Property tax:			
Delinquent	4,364	475	129
Succeeding year	3,505,000	367,000	1,870,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	14,912	-	-
Accounts	30,884	7,046	300
Economic development loans	-	-	-
E911 lease	123,811	-	-
Due from other funds	4,296	-	-
Due from other governments	166,434	2,126,754	84,454
Inventories	-	-	-
Prepaid items	92,852	-	-
Total assets	\$ 6,720,797	4,150,578	2,568,664
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 84,611	2,811,992	7,426
Salaries and benefits payable	63,543	38	8,654
Due to other funds	-	4,296	-
Due to other governments	33,491	846,003	16,287
Deferred revenue:			
Succeeding year:			
Property tax	3,505,000	367,000	1,870,000
Tax increment financing	-	-	-
Other	27,551	550,475	129
Total liabilities	3,714,196	4,579,804	1,902,496
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	92,852	-	-
Restricted for:			
Supplemental levy purposes	179,139	-	-
Mental health purposes	-	-	-
Rural services purposes	-	-	666,168
Secondary roads purposes	-	-	-
Resource enhancement and protection	-	-	-
Jail and courthouse security	56,655	-	-
Conservation land acquisition	308,117	-	-
Conservation trust	-	-	-
Debt service	123,811	-	-
Capital projects	-	-	-
Other purposes	51,508	-	-
Unassigned	2,194,519	(429,226)	-
Total fund balances	3,006,601	(429,226)	666,168
Total liabilities and fund balances	\$ 6,720,797	4,150,578	2,568,664

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,547,330	748,774	7,337,432
-	268	5,236
-	212,000	5,954,000
-	56,000	56,000
-	-	14,912
908	420	39,558
-	72,285	72,285
-	-	123,811
-	-	4,296
509,329	-	2,886,971
591,795	-	591,795
80,877	-	173,729
<u>2,730,239</u>	<u>1,089,747</u>	<u>17,260,025</u>
174,023	-	3,078,052
36,603	366	109,204
-	-	4,296
6,327	-	902,108
-	212,000	5,954,000
-	56,000	56,000
175,206	72,253	825,614
<u>392,159</u>	<u>340,619</u>	<u>10,929,274</u>
591,795	-	591,795
80,877	-	173,729
-	-	179,139
-	-	-
-	-	666,168
1,665,408	-	1,665,408
-	103,943	103,943
-	-	56,655
-	-	308,117
-	217,524	217,524
-	185,705	309,516
-	23,788	23,788
-	218,168	269,676
-	-	1,765,293
<u>2,338,080</u>	<u>749,128</u>	<u>6,330,751</u>
<u>2,730,239</u>	<u>1,089,747</u>	<u>17,260,025</u>

Butler County

Butler County

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

June 30, 2013

Total governmental fund balances (page 21) \$ 6,330,751

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$42,050,522 and the accumulated depreciation is \$13,996,250. 28,054,272

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 825,614

Long-term liabilities, including general obligation bonds and capital loan notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (3,978,152)

Net position of governmental activities (page 18) \$ 31,232,485

See notes to financial statements.

Butler County

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

Year ended June 30, 2013

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,393,225	369,621	1,819,190
Local option sales tax	-	-	237,514
Interest and penalty on property tax	45,381	-	-
Intergovernmental	1,047,619	19,648,738	294,290
Licenses and permits	11,350	-	5,080
Charges for service	492,333	3,645	150
Use of money and property	318,526	15,721	-
Miscellaneous	172,631	50,632	1,800
Total revenues	5,481,065	20,088,357	2,358,024
Expenditures:			
Operating:			
Public safety and legal services	1,382,236	-	592,274
Physical health and social services	1,232,634	-	-
Mental health	-	20,908,988	-
County environment and education	388,095	-	290,903
Roads and transportation	-	-	50,000
Governmental services to residents	455,228	-	8,269
Administration	1,528,108	-	-
Non-program	36,118	-	-
Debt service	38,941	-	-
Capital projects	108,769	-	-
Total expenditures	5,170,129	20,908,988	941,446
Excess (deficiency) of revenues over (under) expenditures	310,936	(820,631)	1,416,578
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(115,000)	-	(1,425,000)
Total other financing sources (uses)	(115,000)	-	(1,425,000)
Change in fund balances	195,936	(820,631)	(8,422)
Fund balances beginning of year	2,810,665	391,405	674,590
Fund balances end of year	\$ 3,006,601	(429,226)	666,168

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	242,234	5,824,270
237,514	-	475,028
-	-	45,381
3,134,783	138,374	24,263,804
6,550	-	22,980
27,373	3,684	527,185
425	76,567	411,239
87,290	155,295	467,648
<u>3,493,935</u>	<u>616,154</u>	<u>32,037,535</u>
-	218	1,974,728
-	-	1,232,634
-	-	20,908,988
-	13,883	692,881
4,532,866	-	4,582,866
-	9,308	472,805
-	-	1,528,108
-	-	36,118
-	454,835	493,776
413,872	-	522,641
<u>4,946,738</u>	<u>478,244</u>	<u>32,445,545</u>
(1,452,803)	137,910	(408,010)
2,239,351	10,000	2,249,351
-	(709,351)	(2,249,351)
<u>2,239,351</u>	<u>(699,351)</u>	<u>-</u>
786,548	(561,441)	(408,010)
1,551,532	1,310,569	6,738,761
<u>2,338,080</u>	<u>749,128</u>	<u>6,330,751</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, 2013

Change in fund balances - Total governmental funds (page 25) \$ (408,010)

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 expense in the current year, as follows:

Expenditures for capital assets	\$ 781,461	
Capital assets contributed by the Iowa Department of Transportation	1,569,836	
Depreciation expense	<u>(1,836,181)</u>	515,116

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 5,650

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	(96,573)	
Other	<u>695,474</u>	598,901

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment decreases long-term liabilities in the Statement of Net Position. 416,750

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 the governmental funds, as follows:

Compensated absences	(37,703)	
Other postemployment benefits	(88,765)	
Interest on long-term debt	<u>520</u>	<u>(125,948)</u>

Change in net position of governmental activities (page 19) \$ 1,002,459

See notes to financial statements.

Butler County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,055,282
Other County officials	107,658
Receivables:	
Property tax:	
Delinquent	24,702
Succeeding year	15,969,000
Accounts	11,326
Special assessments	139,255
Due from other governments	16,247
Total assets	17,323,470

Liabilities

Accounts payable	54,341
Salaries and benefits payable	6,258
Due to other governments	17,150,979
Trusts payable	97,565
Compensated absences	14,327
Total liabilities	17,323,470

Net position	\$ -
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See notes to financial statements.

Butler County

Notes to Financial Statements

June 30, 2013

(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. The County had no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County 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, North Central Iowa Network Sharing Agreement and County Social Services.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. 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 Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributed to the acquisition, construction or improvement of those assets.

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 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, intellectual disabilities and developmental disabilities services. The fund also accounts for the revenues and expenditures for County Social Services, a consortium established for the purpose of administering mental health and disability services for its member counties.

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 the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used 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 year or soon enough thereafter to pay liabilities of the current year. 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 position 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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 financial statements:

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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, 2013, 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 acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at 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.

Asset Class	Amount
Intangibles - Other	\$ 100,000
Intangibles - Right-of-way	50,000
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
Intangibles	5-20
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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 Position 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 time 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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 Position.

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, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the roads and transportation function and disbursements exceeded the appropriation in one department.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2013 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.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$245,292 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and uses of the County.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 115,000
	Special Revenue:	
	Rural Services	1,425,000
	Capital Projects	699,351
Debt Service	Special Revenue:	
	Logistics Tax Increment Financing	10,000
Total		<u>\$ 2,249,351</u>

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, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 845,778	-	-	845,778
Construction in progress, road network	2,044,384	2,112,044	(3,777,345)	379,083
Total capital assets not being depreciated	2,890,162	2,112,044	(3,777,345)	1,224,861
Capital assets being depreciated:				
Buildings	3,528,021	-	-	3,528,021
Improvements other than buildings	39,702	-	-	39,702
Equipment and vehicles	10,038,515	246,753	(47,834)	10,237,434
Infrastructure, road network	21,619,120	3,777,345	-	25,396,465
Infrastructure, other	1,624,039	-	-	1,624,039
Total capital assets being depreciated	36,849,397	4,024,098	(47,834)	40,825,661
Less accumulated depreciation for:				
Buildings	1,813,982	39,061	-	1,853,043
Improvements other than buildings	4,764	1,588	-	6,352
Equipment and vehicles	6,226,765	707,041	(45,984)	6,887,822
Infrastructure, road network	3,980,314	1,054,824	-	5,035,138
Infrastructure, other	180,228	33,667	-	213,895
Total accumulated depreciation	12,206,053	1,836,181	(45,984)	13,996,250
Total capital assets being depreciated, net	24,643,344	2,187,917	(1,850)	26,829,411
Governmental activities capital assets, net	\$ 27,533,506	4,299,961	(3,779,195)	28,054,272

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 57,086
County environment and education	54,526
Roads and transportation	1,659,876
Governmental services to residents	11,724
Administration	52,969
Total depreciation expense - governmental activities	\$ 1,836,181

(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 at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 33,491
Special Revenue:		
Mental Health	Services	846,003
Rural Services		16,287
Secondary Roads		6,327
		<u>868,617</u>
Total for governmental funds		<u>\$ 902,108</u>
Agency:		
County Agricultural Extension	Collections	\$ 111,103
County Assessor		596,275
Schools		10,431,172
Community Colleges		675,297
Corporations		4,403,633
Townships		216,409
City Special Assessments		144,499
Auto License and Use Tax		379,524
Empowerment Board		93,832
All other		99,235
Total for agency funds		<u>\$ 17,150,979</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	General Obligation Capital Loan Notes	General Obligation Urban Renewal Bonds	General Obligation Bonds	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 155,561	2,065,000	1,530,000	332,024	178,735	4,261,320
Increases	-	-	-	339,496	91,865	431,361
Decreases	31,750	135,000	250,000	301,793	3,100	721,643
Balance end of year	<u>\$ 123,811</u>	<u>1,930,000</u>	<u>1,280,000</u>	<u>369,727</u>	<u>267,500</u>	<u>3,971,038</u>
Due within one year	\$ 33,368	140,000	250,000	283,851	-	707,219

General Obligation Capital Loan Notes

General obligation capital loan notes totaling \$390,000 were issued on December 3, 2001 for the purpose of paying the costs of acquiring replacement equipment for use by the Butler County E911 Service Board. The notes are to be paid from the General Fund in quarterly payments of \$9,735, including interest of 5% per annum. The final payment of \$18,600 is payable on May 1, 2016. The principal balance of the notes at June 30, 2013 totaled \$123,811.

General Obligation Urban Renewal Bonds

On August 31, 2010, the County issued \$2,200,000 of general obligation urban renewal bonds for the purpose of aiding in the planning, undertaking and carrying out urban renewal projects under the authority of Chapter 403 of the Code of Iowa and the Butler County Logistics Park Urban Renewal Area, including roadway reclamations, paving and right-of-way improvements. These bonds are payable from a continuing annual levy of property tax against all taxable property of the County. Annual debt service requirements to maturity for the general obligation urban renewal bond indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	1.40%	\$ 140,000	51,410	191,410
2015	1.60	140,000	49,450	189,450
2016	1.80	145,000	47,210	192,210
2017	2.10	145,000	44,600	189,600
2018	2.40	150,000	41,555	191,555
2019-2023	2.60-3.30	830,000	144,875	974,875
2024-2025	3.40-3.50	380,000	19,940	399,940
Total		\$ 1,930,000	399,040	2,329,040

During the year ended June 30, 2013, \$135,000 of bonds were retired and interest of \$52,895 was paid.

General Obligation Bonds

On September 27, 2011, the County issued \$1,530,000 of general obligation bonds for the purpose of constructing an equipment and maintenance facility. These bonds are payable from a continuing annual levy of property tax against all taxable property of the County. Annual debt service requirements to maturity for the general obligation bond indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	.80%	\$ 250,000	15,440	265,440
2015	1.00	250,000	13,440	263,440
2016	1.20	255,000	10,940	265,940
2017	1.40	260,000	7,880	267,880
2018	1.60	265,000	4,240	269,240
Total		\$ 1,280,000	51,940	1,331,940

During the year ended June 30, 2013, \$250,000 of bonds were retired and interest of \$16,940 was paid.

(7) 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 and a final payment of \$18,600 on May 1, 2016 to the County, amounts equal to the payments required on the general obligation capital loan notes, as detailed in Note 6 of the Notes to Financial Statements. The quarterly principal and interest 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 at 5% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2013.

Year Ending June 30,	Total
2014	\$ 38,941
2015	38,941
2016	57,542
Total minimum lease payments	135,424
Less amount representing interest	(11,613)
Present value of net minimum lease payments	<u>\$ 123,811</u>

(8) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	<u>\$ 4,296</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(9) Economic Development Revolving Loan Fund

The County has fifteen economic development loans receivable totaling \$72,285 at June 30, 2013 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 the County in monthly and quarterly installments over five years, with interest at 5% per annum. The loan repayments from the businesses remain in the Special Revenue, 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 5.78% of their annual covered salary and the County is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$389,608, \$363,383 and \$318,995, respectively, equal to the required contributions for each year.

(11) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 93 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 90,365
Interest on net OPEB obligation	4,600
Adjustment to annual required contribution	(3,100)
Annual OPEB cost	<u>91,865</u>
Contributions made	(3,100)
Increase in net OPEB obligation	<u>88,765</u>
Net OPEB obligation beginning of year	178,735
Net OPEB obligation end of year	<u><u>\$ 267,500</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, plan members eligible for benefits contributed \$49,076, or 100% of the premium costs.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 83,728	1.40%	\$ 114,146
2012	64,589	0.00	178,735
2013	91,865	3.40	267,500

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$700,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$700,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,504,000 and the ratio of the UAAL to covered payroll was 15.5%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual health trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement and termination probabilities were developed from the aging curve based upon the 2006 Society of Actuaries Study.

Projected claim costs of the health plan are \$487 to \$1,593 per month for retirees less than age 65. Benefits are not related to salary levels. The UAAL is being amortized as a level dollar cost over 30 years.

(12) Risk Management

The County is a member of 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 whose 679 members include 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, inland marine and boiler/ machinery. 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 not to exceed 300% 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, 2013 were \$159,470.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington Insurance Company.

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, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty 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.

(13) Self-Funded Insurance Plan

A Self Insurance account within the General Fund has been established by the County to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered by Advantage Administrators. The County assumes liability for claims between \$250 and \$750 for single coverage and \$500 and \$1,500 for family coverage.

Payments to the Self Insurance account were recorded as expenditures by the operating funds. Payments to the administrator for service fees and medical claims for the year ended June 30, 2013 were \$7,101.

(14) County Social Services

The County is a member of County Social Services (CSS), a consortium established in accordance with the provisions of Chapters 28E and 331.440(3) of the Code of Iowa for the purpose of administering mental health and disability services for its member counties. The member counties are Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth and Wright. Pursuant to the consortium agreement, Butler County is the fiscal agent for the consortium. Each member county is represented on the consortium board, which is responsible for administering the consortium.

In the County's role of fiscal agent for CSS, all revenues and expenditures for mental health and disability services for the member counties are combined and accounted for on the modified accrual basis of accounting by the County in its Special Revenue, Mental Health Fund. The County also approved the overall budget for CSS. Mental health revenues and expenditures are not maintained separately by member counties.

(15) Subsequent Event

In August 2013, the County approved issuance of \$1,600,000 of general obligation urban renewal bonds to add property (primarily for extension of a gas line) and to add/or confirm the list of proposed projects to be undertaken within the Urban Renewal Area.

(16) Deficit Fund Balance

The Special Revenue, Mental Health Fund had a deficit balance of \$429,226 at June 30, 2013. The deficit balance was the result of delayed reimbursements from other counties. The deficit will be eliminated through collection of county reimbursements.

(17) Early Childhood Iowa Area Board

Butler County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the Area Board. The Area Board's financial data for the year ended June 30, 2013 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early Childhood	\$ 59,855	-	59,855
Family support and parent education	-	257,238	257,238
Preschool support for low-income families	-	112,946	112,946
Quality improvement	-	48,295	48,295
Allocation for administration	3,150	13,788	16,938
Other grant programs	-	27,651	27,651
Total state grants	63,005	459,918	522,923
Interest on investments	129	949	1,078
Total revenues	63,134	460,867	524,001
Expenditures:			
Program services:			
Early childhood	62,603	-	62,603
Family support and parent education	-	251,496	251,496
Preschool support for low income families	-	120,851	120,851
Quality improvement	-	47,766	47,766
Other program services	-	35,901	35,901
Total program services	62,603	456,014	518,617
Administration	3,189	13,907	17,096
Total expenditures	65,792	469,921	535,713
Change in fund balance	(2,658)	(9,054)	(11,712)
Fund balance beginning of year	8,961	70,353	79,314
Fund balance end of year	\$ 6,303	61,299	67,602

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, 2013

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 6,296,716	6,365,495	6,401,401	(104,685)
Interest and penalty on property tax	45,381	8,000	8,000	37,381
Intergovernmental	23,109,031	15,305,054	32,316,245	(9,207,214)
Licenses and permits	22,635	13,800	13,800	8,835
Charges for service	645,808	501,094	501,094	144,714
Use of money and property	433,567	430,672	430,672	2,895
Miscellaneous	447,042	188,825	388,825	58,217
Total receipts	<u>31,000,180</u>	<u>22,812,940</u>	<u>40,060,037</u>	<u>(9,059,857)</u>
Disbursements:				
Public safety and legal services	1,961,139	2,180,685	2,180,685	219,546
Physical health and social services	1,251,448	1,461,569	1,486,569	235,121
Mental health	25,414,346	14,714,795	26,986,906	1,572,560
County environment and education	687,166	853,703	853,703	166,537
Roads and transportation	4,954,762	4,850,000	4,900,000	(54,762)
Governmental services to residents	472,948	521,234	521,234	48,286
Administration	1,492,111	1,652,063	1,663,033	170,922
Non-program	-	2,500	202,500	202,500
Debt service	493,777	493,785	493,785	8
Capital projects	712,985	1,385,000	1,985,000	1,272,015
Total disbursements	<u>37,440,682</u>	<u>28,115,334</u>	<u>41,273,415</u>	<u>3,832,733</u>
Excess (deficiency) of receipts over (under) disbursements	(6,440,502)	(5,302,394)	(1,213,378)	(5,227,124)
Balance beginning of year	13,777,934	11,861,760	11,861,760	1,916,174
Balance end of year	<u>\$ 7,337,432</u>	<u>6,559,366</u>	<u>10,648,382</u>	<u>(3,310,950)</u>

See accompanying independent auditor's report.

Butler County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 31,000,180	1,037,355	32,037,535
Expenditures	37,440,682	(4,995,137)	32,445,545
Net	(6,440,502)	6,032,492	(408,010)
Beginning fund balances	13,777,934	(7,039,173)	6,738,761
Ending fund balances	\$ 7,337,432	(1,006,681)	6,330,751

See accompanying independent auditor's report.

Butler County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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 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. 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 and the Special Revenue Funds. 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 \$13,158,081. 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, 2013, disbursements exceeded the amount budgeted in the roads and transportation function and disbursements exceeded the appropriation in one department.

Butler County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 576	576	0.0%	\$ 4,345	13.3%
2011	Jul 1, 2009	-	569	569	0.0	4,468	12.7
2012	Jul 1, 2009	-	534	534	0.0	4,356	12.3
2013	Jul 1, 2012	-	700	700	0.0	4,504	15.5

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Butler County

Supplementary Information

Butler County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	Economic Development Revolving Loan	Sheriff's Commissary and Telephone	Seized and Forfeited Property	Sesquicentennial Memorial
Assets				
Cash and pooled investments	\$ 156,648	9,059	9,537	740
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year property tax	-	-	-	-
Succeeding year tax increment financing	-	-	-	-
Accounts	-	-	-	-
Economic development loans	72,285	-	-	-
Total assets	\$ 228,933	9,059	9,537	740
Liabilities and Fund Balances				
Liabilities:				
Salaries and benefits payable	\$ -	-	-	-
Deferred revenue:				
Succeeding year:				
Property tax	-	-	-	-
Tax increment financing	-	-	-	-
Other	71,985	-	-	-
Total liabilities	71,985	-	-	-
Fund balances:				
Restricted for other purposes	156,948	9,059	9,537	740
Total liabilities and fund balances	\$ 228,933	9,059	9,537	740

See accompanying independent auditor's report.

Special Revenue								
County				Resource	Logistics			
Recorder's	DARE		Conservation	Enhancement	Tax	Debt	Capital	Total
Records	Program	Canine	Trust	and	Increment	Service	Projects	
Management				Protection	Financing			
16,908	1,205	1,061	217,504	104,309	22,310	185,705	23,788	748,774
-	-	-	-	-	-	268	-	268
-	-	-	-	-	-	212,000	-	212,000
-	-	-	-	-	56,000	-	-	56,000
-	-	400	20	-	-	-	-	420
-	-	-	-	-	-	-	-	72,285
16,908	1,205	1,461	217,524	104,309	78,310	397,973	23,788	1,089,747
-	-	-	-	366	-	-	-	366
-	-	-	-	-	-	212,000	-	212,000
-	-	-	-	-	56,000	-	-	56,000
-	-	-	-	-	-	268	-	72,253
-	-	-	-	366	56,000	212,268	-	340,619
16,908	1,205	1,461	217,524	103,943	22,310	185,705	23,788	749,128
16,908	1,205	1,461	217,524	104,309	78,310	397,973	23,788	1,089,747

Butler County

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

Year ended June 30, 2013

	Economic Development Revolving Loan	Sheriffs Commissary and Telephone	Seized and Forfeited Property	Special Sesquicentennial Memorial
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Use of money and property	48,191	-	-	4
Miscellaneous	-	-	466	-
Total revenues	48,191	-	466	4
Expenditures:				
Operating:				
Public safety and legal services	-	-	85	-
County environment and education	5,006	-	-	-
Governmental services to residents	-	-	-	-
Debt service	-	-	-	-
Total expenditures	5,006	-	85	-
Excess (deficiency) of revenues over (under) expenditures	43,185	-	381	4
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balances	43,185	-	381	4
Fund balances beginning of year	113,763	9,059	9,156	736
Fund balances end of year	\$ 156,948	9,059	9,537	740

See accompanying independent auditor's report.

Revenue									
County				Resource	Logistics				
Recorder's	DARE		Conservation	Enhancement	Tax	Debt	Capital		
Records	Program	Canine	Trust	and	Increment	Service	Projects	Total	
Management				Protection	Financing				
-	-	-	-	-	26,884	215,350	-	242,234	
-	-	-	-	10,520	429	11,507	115,918	138,374	
3,684	-	-	-	-	-	-	-	3,684	
129	-	-	25,150	571	-	2,187	335	76,567	
-	-	400	4,429	-	-	-	150,000	155,295	
3,813	-	400	29,579	11,091	27,313	229,044	266,253	616,154	
-	-	133	-	-	-	-	-	218	
-	-	-	3,500	5,377	-	-	-	13,883	
9,308	-	-	-	-	-	-	-	9,308	
-	-	-	-	-	-	454,835	-	454,835	
9,308	-	133	3,500	5,377	-	454,835	-	478,244	
(5,495)	-	267	26,079	5,714	27,313	(225,791)	266,253	137,910	
-	-	-	-	-	-	10,000	-	10,000	
-	-	-	-	-	(10,000)	-	(699,351)	(709,351)	
-	-	-	-	-	(10,000)	10,000	(699,351)	(699,351)	
(5,495)	-	267	26,079	5,714	17,313	(215,791)	(433,098)	(561,441)	
22,403	1,205	1,194	191,445	98,229	4,997	401,496	456,886	1,310,569	
16,908	1,205	1,461	217,524	103,943	22,310	185,705	23,788	749,128	

Butler County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,942	239,780	152,891	9,584
Other County officials	107,658	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	161	482	13,281	713
Succeeding year	-	109,000	374,000	10,265,000	665,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 107,658	111,103	614,262	10,431,172	675,297
Liabilities					
Accounts payable	\$ -	-	-	-	-
Salaries and benefits payable	-	-	5,255	-	-
Due to other governments	10,093	111,103	596,275	10,431,172	675,297
Trusts payable	97,565	-	-	-	-
Compensated absences	-	-	12,732	-	-
Total liabilities	\$ 107,658	111,103	614,262	10,431,172	675,297

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Other	Total
52,586	3,394	5,244	379,524	140,710	69,627	1,055,282
-	-	-	-	-	-	107,658
10,047	15	-	-	-	3	24,702
4,341,000	213,000	-	-	-	2,000	15,969,000
-	-	-	-	-	11,326	11,326
-	-	139,255	-	-	-	139,255
-	-	-	-	-	16,247	16,247
4,403,633	216,409	144,499	379,524	140,710	99,203	17,323,470
-	-	-	-	46,878	7,463	54,341
-	-	-	-	-	1,003	6,258
4,403,633	216,409	144,499	379,524	93,832	89,142	17,150,979
-	-	-	-	-	-	97,565
-	-	-	-	-	1,595	14,327
4,403,633	216,409	144,499	379,524	140,710	99,203	17,323,470

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

Year ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions
Assets and Liabilities						
Balances beginning of year	\$ 117,761	127,474	561,548	10,016,852	655,178	3,498,743
Additions:						
Property and other county tax	-	108,668	373,598	10,128,785	651,708	4,934,890
E911 surcharge	-	-	-	-	-	-
State tax credits	-	6,813	20,413	534,536	33,932	214,093
Office fees and collections	424,244	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	97,570	-	-	-	-	-
Miscellaneous	-	-	420	-	-	-
Total additions	521,814	115,481	394,431	10,663,321	685,640	5,148,983
Deductions:						
Agency remittances:						
To other funds	165,111	-	-	-	-	-
To other governments	262,977	131,852	341,717	10,249,001	665,521	4,244,093
Trusts paid out	103,829	-	-	-	-	-
Total deductions	531,917	131,852	341,717	10,249,001	665,521	4,244,093
Balances end of year	\$ 107,658	111,103	614,262	10,431,172	675,297	4,403,633

See accompanying independent auditor's report.

Townships	City Special Assess- ments	Auto License and Use Tax	Empowerment Board	Other	Total
218,131	209,604	360,171	164,834	69,557	15,999,853
214,411	-	-	-	3,589	16,415,649
-	-	-	-	130,701	130,701
11,468	-	-	-	123	821,378
-	-	-	-	3,667	427,911
-	-	4,664,771	-	164	4,664,935
-	29,960	-	-	-	29,960
-	-	-	-	88,511	186,081
-	-	-	524,286	100,713	625,419
225,879	29,960	4,664,771	524,286	327,468	23,302,034
-	-	168,032	-	-	333,143
227,601	95,065	4,477,386	548,410	209,311	21,452,934
-	-	-	-	88,511	192,340
227,601	95,065	4,645,418	548,410	297,822	21,978,417
216,409	144,499	379,524	140,710	99,203	17,323,470

Butler County

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

For the Last Ten Years

	2013*	2012*	2011*	2010
Revenues:				
Property and other county tax	\$ 5,824,270	5,697,329	5,114,544	4,916,248
Local option sales tax	475,028	410,548	462,876	442,994
Interest and penalty on property tax	45,381	41,774	48,872	47,053
Intergovernmental	24,263,804	37,301,942	27,394,705	5,797,705
Licenses and permits	22,980	19,470	15,030	15,565
Charges for service	527,185	649,824	478,693	481,389
Use of money and property	411,239	410,976	494,374	413,591
Miscellaneous	467,648	280,161	291,830	241,445
Total	\$ 32,037,535	44,812,024	34,300,924	12,355,990
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,974,728	1,985,563	1,811,092	1,762,804
Physical health and social services	1,232,634	1,321,121	1,440,316	1,423,468
Mental health	20,908,988	31,106,457	24,384,286	1,305,470
County environment and education	692,881	739,409	648,780	671,898
Roads and transportation	4,582,866	6,036,761	5,042,205	4,451,830
Governmental services to residents	472,805	471,289	428,521	446,943
Administration	1,528,108	1,476,114	1,501,098	1,351,304
Non-program	36,118	1,184	17,785	39,702
Debt service	493,776	238,647	77,372	38,942
Capital projects	522,641	1,975,248	2,277,336	643,210
Total	\$ 32,445,545	45,351,793	37,628,791	12,135,571

* Fiscal years 2013, 2012 and 2011 include the mental health activity of County Social Services.

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
4,799,419	4,251,927	3,743,826	3,561,583	3,464,513	3,864,259
480,410	484,244	400,484	361,660	355,695	359,123
36,458	32,746	31,670	31,023	34,668	41,696
7,530,529	6,125,937	5,382,914	5,374,120	5,316,619	5,088,430
15,653	14,649	9,635	12,145	11,565	15,943
453,012	464,111	454,952	472,080	435,257	498,244
383,842	446,133	401,199	320,098	257,798	265,270
301,275	339,052	233,974	224,330	293,094	189,405
14,000,598	12,158,799	10,658,654	10,357,039	10,169,209	10,322,370
1,666,888	1,578,721	1,510,726	1,425,712	1,382,591	1,268,846
1,329,711	1,354,701	1,384,986	1,383,611	1,184,164	1,153,795
1,294,403	1,411,156	1,446,563	1,285,834	1,165,030	1,114,860
686,139	664,791	616,714	624,155	561,758	588,832
5,245,618	4,028,374	3,970,296	3,975,554	3,747,559	3,559,552
414,465	389,465	386,920	447,203	450,844	269,112
1,210,085	1,232,630	1,142,270	1,103,411	1,099,842	1,287,024
200,000	7,017	7,018	-	60	-
38,941	38,941	38,941	69,658	49,334	37,413
2,019,732	977,440	725,176	936,339	512,391	1,440,397
14,105,982	11,683,236	11,229,610	11,251,477	10,153,573	10,719,831

Butler County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

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 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, the 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, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Butler County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Butler County's internal control. Accordingly, we do not express an opinion on the effectiveness of Butler County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (C) to be a significant deficiency.

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 which 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, 2013 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.

Butler County's Responses to the Findings

Butler County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Butler County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 18, 2014

Butler County
Schedule of Findings
Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (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>
Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	County Treasurer and County 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. Officials should ensure personnel are cross-trained on duties of the Office to ensure adequate coverage of all Office responsibilities when necessary.

Responses –

County Treasurer – We will try to do our best to segregate duties with limited personnel. Cash received is immediately logged and recounted by another employee.

County Recorder – We will try to do our best to segregate duties with a limited staff of three. The bank reconciliations are reviewed by the County Treasurer's Office and are initialed and dated.

Conclusions – Responses accepted.

Butler County
Schedule of Findings
Year ended June 30, 2013

- (B) Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions which were not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and capital asset additions are properly recorded and included in the County’s financial statements.

Response – The Finance Deputy and County Auditor have been instructed on how to properly accrue receivables and payables and record capital asset additions. The correct procedures will be used for accuracy in the future.

Conclusion – Response accepted.

- (C) County Sheriff – Gun permit monies are not included in the month end reconciliation of the cashbook balance to bank balance.

Recommendation – Gun permit monies should be included in the month end reconciliation of the cashbook balance to bank balance.

Response – We will attempt to reconcile the gun permit monies at the end of the month instead of the beginning of the next month.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Butler County
 Schedule of Findings
 Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the roads and transportation function.

Although the Board of Supervisors acted to increase certain department appropriations by amendment, disbursements exceeded the appropriation in the economic development department

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

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The Finance Deputy will run an Appropriation Status Report and Monthly Budget Report for the County Auditor to check against the appropriations spreadsheet on a monthly basis to ensure the County makes appropriate amendments, if necessary.

Conclusion – Response accepted.

- (2) 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.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tamara Fleshner, Public Health, Independent contractor	CPR training	\$ 300

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

- (5) 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.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Butler County

Schedule of Findings

Year ended June 30, 2013

- (7) 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.
- (8) 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).
- (9) 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, 2013 for the County Extension Office did not exceed the amount budgeted.

- (10) Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

- (11) Financial Condition - The Special Revenue, Mental Health Fund had a deficit fund balance (on a modified accrual basis) of \$429,226 at June 30, 2013.

Recommendation – The County should investigate alternatives to eliminate the deficit fund balances in order to return the fund to a sound financial position.

Response – The deficit in the Mental Health Fund was due to counties within the County Social Services Region not sending timely payments for the member allocation requests. This will be monitored more closely by the County Social Services Administrator who will communicate any delays in payments to the Finance Manager and Butler County Auditor.

Conclusion – Response accepted.

- (12) Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the expenditures reported excluded the \$20,000 transfer out to the Debt Service Fund. The ending cash balance of the Special Revenue, Logistics Tax Increment Financing Fund reported was overstated by \$19,948.

Recommendation – The County should ensure the amounts reported on the urban renewal annual report agree with County records.

Response – The County will ensure amounts reported on future urban renewal annual reports agree with the County’s general ledger.

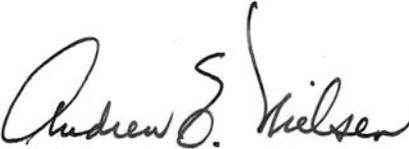
Conclusion – Response accepted.

Butler County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Andi J. Kaufman, CPA, Staff Auditor
William B. Corley, Staff Auditor
Leslie M. Downing, Assistant Auditor
Trent M. Mussman, Assistant Auditor
Ryan J. Pithan, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State