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

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE March 8, 2018

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

The County had local tax revenue of $25,216,543 for the year ended June 30, 2017, which included $2,113,680 in tax credits from the state. The County forwarded $17,903,411 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $7,313,132 of the local tax revenue to finance County operations, a 1.2% increase over the prior year. Other revenues included charges for service of $1,549,861, operating grants, contributions and restricted interest of $4,541,010, capital grants, contributions and restricted interest of $4,103,616, local option sales tax of $469,745, unrestricted investment earnings of $157,903 and other general revenues of $241,148.

Expenses for County operations for the year ended June 30, 2017 totaled $15,016,107, a 7.5% increase over the prior year. Expenses included $7,524,780 for roads and transportation, $2,180,946 for public safety and legal services, and $1,764,809 for administrative 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 https://auditor.iowa.gov/reports/1710-0012-B00F.

# # #

BUTLER COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2017

Table of Contents

Butler County

Officials

(Before January 2017)

Name	Title	Term Expires
Rex Ackerman	Board of Supervisors	Jan 2017
Rusty Eddy	Board of Supervisors	Jan 2019
Tom Heidenwirth	Board of Supervisors	Jan 2019
Lizbeth (Liz) Williams	County Auditor	Jan 2017
Vicki Schoneman	County Treasurer	Jan 2019
Janice Jacobs	County Recorder	Jan 2019
Jason Johnson	County Sheriff	Jan 2017
Gregory M. Lievens	County Attorney	Jan 2019
Deborah McWhirter	County Assessor	Jan 2022

(After January 2017)

Name	Title	Term Expires
Rusty Eddy	Board of Supervisors	Jan 2019
Tom Heidenwirth	Board of Supervisors	Jan 2019
Greg Barnett	Board of Supervisors	Jan 2021
Lizbeth (Liz) Williams	County Auditor	Jan 2021
Vicki Schoneman	County Treasurer	Jan 2019
Janice Jacobs	County Recorder	Jan 2019
Jason Johnson	County Sheriff	Jan 2021
Gregory M. Lievens	County Attorney	Jan 2019
Deborah McWhirter	County Assessor	Jan 2022

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

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, 2017, 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, 2017, and the respective changes in its 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, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 54 through 61 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, 2016 (which are not presented herein) and expressed unmodified 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 27, 2018 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 solely 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 effectiveness of the County's 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

MARY MOSIMAN, CPA
Auditor of State

February 27, 2018

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, 2017. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Governmental activities revenues increased $3,227,225, or 21.3%, from fiscal year 2016 to fiscal year 2017. Capital grants, contributions and restricted interest increased $2,871,213 or 233.0%.

- Governmental activities expenses increased $1,045,165, or 7.5%, from fiscal year 2016 to fiscal year 2017. Roads and transportation expenses increased $877,304 and County environment and education decreased $262,475.

- The County's net position increased 10.4%, or $3,360,308, from June 30, 2016 to June 30, 2017.

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 financial statements provide 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, the County's proportionate share of the net pension liability and related contributions, 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, deferred outflows of resources, liabilities and deferred inflows of resources 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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 E-911, 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. The analysis that follows focuses on the net position of governmental activities.

Net Position of Governmental Activities

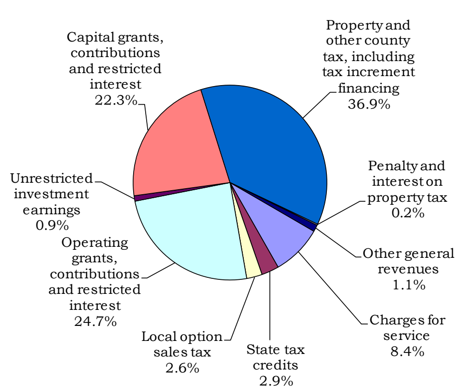
	June 30, 2017	June 30, 2016
Current and other assets	$ 16,005,370	15,439,948
Capital assets	33,782,404	31,190,763
Total assets	49,787,774	46,630,711
Deferred outflows	1,293,140	585,644
Long-term liabilities	7,694,556	7,082,033
Other liabilities	600,330	719,150
Total liabilities	8,294,886	7,801,183
Deferred inflows of resources	6,986,352	6,975,804
Net position:		
Net investment in capital assets	30,687,404	27,610,763
Restricted	5,067,695	4,889,834
Unrestricted	44,577	(61,229)
Total net position	$ 35,799,676	32,439,368

The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased $177,861, or 3.6%, from June 30, 2016 to June 30, 2017. 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 $44,577 at June 30, 2017. Unrestricted net position increased $105,806, or 172.8%, from June 30, 2016 to June 30, 2017. Unrestricted net position increased primarily due to a reduction in pension related deferred inflows.

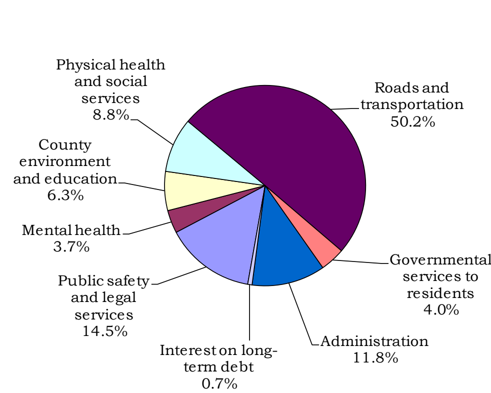
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30, 2017	2016
Revenues:		
Program revenues:		
Charges for service	$ 1,549,861	1,373,901
Operating grants, contributions and restricted interest	4,541,010	4,406,739
Capital grants, contributions and restricted interest	4,103,616	1,232,403
General revenues:		
Property and other county tax, including tax increment financing	6,774,317	6,667,125
Penalty and interest on property tax	35,296	39,177
State tax credits	538,815	555,842
Local option sales tax	469,745	417,765
Unrestricted investment earnings	157,903	173,263
Other general revenues	205,852	282,975
Total revenues	18,376,415	15,149,190
Program expenses:		
Public safety and legal services	2,180,946	2,074,331
Physical health and social services	1,322,283	1,306,782
Mental health	562,272	491,105
County environment and education	950,046	1,212,521
Roads and transportation	7,524,780	6,647,476
Governmental services to residents	604,454	568,614
Administration	1,766,205	1,557,156
Interest on long-term debt	105,121	112,957
Total expenses	15,016,107	13,970,942
Change in net position	3,360,308	1,178,248
Net position beginning of year	32,439,368	31,261,120
Net position end of year	$ 35,799,676	32,439,368

Revenues by Source



Expenses by Program



Revenues for governmental activities increased $3,227,225 over the prior year. Capital grants, contributions and restricted interest increased $2,871,213 due to the increase of approximately $2,637,000 of farm to market projects contributed by the Iowa Department of Transportation compared to the prior year and the receipt of approximately $582,000 of Federal Emergency Management Agency (FEMA) funds and a grant of approximately $190,000 for the purchase of land.

INDIVIDUAL MAJOR FUND ANALYSIS

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

- The General Fund ended fiscal year 2017 with a fund balance of $3,851,052, a $170,774 increase over the ending balance for fiscal year 2016. Revenues increased $330,452, or 5.4%, and expenditures increased $368,061, or 6.5%, due, in part, to the receipt of approximately $190,000 from the State of Iowa for Conservation land acquisition and the related purchase of the land.
- The Special Revenue, Mental Health Fund balance ended fiscal year 2017 with a fund balance of $199,887 compared to fiscal year 2016 which ended with a balance of $242,756. Revenues increased $40,255, due, in part, to an increase in case management reimbursements. Expenditures increased $67,726 or 13.8%, due primarily to the increase of $60,955 in the distribution to County Social Services.
- The Special Revenue, Rural Services Fund ended fiscal year 2017 with a fund balance of $1,133,012, an increase of $171,733 over the ending balance for fiscal year 2016. Revenues increased $107,509 or 4.3% over the prior year and expenditures increased $21,512 or 2.4% over the prior year.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2017 with a fund balance of $2,679,609. This is an increase of $308,235 over the ending balance for fiscal year 2016. Revenues increased $558,237, or 12.0%, due, in part, to the receipt of approximately $257,000 of FEMA grant funds. Expenditures decreased $11,433, or 1.7%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Butler County amended its budget two times. The first amendment was made in December 2016 and resulted in an increase in budgeted disbursements of $1,248,420, primarily for repairs at county parks and road repairs due to flooding and the addition of employees for the County Attorney's office and case management.

The second amendment occurred in April 2017. This amendment resulted in increased budgeted disbursements of $70,000, primarily to cover costs for increased health insurance.

The County's receipts were $455,753 more than budgeted, a variance of 3.0%. The most significant variance resulted from the County collecting more miscellaneous receipts than anticipated.

Total disbursements were $1,709,158 less than the amended budget. The largest variance resulted from county environment and education and the roads and transportation function disbursements being $641,503 and $536,732, respectively, less than budgeted.

Even with the budget amendments, the County exceeded the budgeted amount in the capital projects function for the year ended June 30, 2017. The County had multiple projects that were completed ahead of schedule.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, Butler County had approximately $33.8 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 $2.6 million over last year.

Capital Assets of Governmental Activities at Year End

	June 30,	
	2017	2016
Land	$ 1,224,089	1,016,469
Construction in progress	2,978,499	1,600,628
Buildings	1,518,730	1,557,792
Improvements other than buildings	57,336	60,369
Equipment and vehicles	2,283,342	2,575,421
Infrastructure	25,720,408	24,380,084
Total	$ 33,782,404	31,190,763

This year's major additions included:	
Infrastructure contributed by the Iowa Department of Transportation	$ 3,126,290
Road network construction	1,025,656
Purchase of equipment for the Sheriff's Office	92,170
Purchase of equipment for the Secondary Roads Department	102,306
Purchase of land, equipment and land improvements for the Conservation Department	276,707
Purchase of data processing equipment	47,578
Total	$ 4,670,707

The County had depreciation expense of $2,166,681 in fiscal year 2017 and total accumulated depreciation of approximately $21.7 million at June 30, 2017. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2017, Butler County had approximately $3.095 million of outstanding general obligation debt, compared to approximately $3.580 million of long-term debt at June 30, 2016.

Outstanding Debt of Governmental Activities at Year End
(Expressed in Thousands)

	June 30,	
	2017	2016
General obligation urban renewal bonds	$ 2,830	3,055
General obligation bonds	265	525
Total	$ 3,095	3,580

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 $78 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 2018 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County at June 30, 2017 was 3.3%, a decrease from the June 30, 2016 rate of 4.1%.

Butler County's unemployment rate was slightly higher than the State's unemployment rate of 3.2%, and lower than the national rate of 4.5% for the same period.

Fiscal year 2018 budgeted receipts decreased $432,662 while budgeted disbursements increased $1,675,557 compared to fiscal year 2017 actuals. If the budget estimates are realized, the County's fund balances are expected to decrease approximately $1.8 million by the close of fiscal year 2018.

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, Allison, Iowa 50602.

Butler County

Basic Financial Statements

Butler County

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
Cash and pooled investments	$ 7,334,880
Receivables:	
Property tax:	
Delinquent	5,513
Succeeding year	6,371,000
Succeeding year tax increment financing	504,000
Interest and penalty on property tax	26,502
Accounts	10,097
Economic development loans	11,903
Due from other governments	729,198
Inventories	996,161
Prepaid items	16,116
Capital assets, net of accumulated depreciation	33,782,404
Total assets	49,787,774
Deferred Outflows of Resources	
Pension related deferred outflows	1,293,140
Liabilities	
Accounts payable	437,433
Salaries and benefits payable	151,674
Accrued interest payable	8,130
Due to other governments	3,093
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	495,000
Compensated absences	310,142
Portion due or payable after one year:	
General obligation bonds	2,600,000
Compensated absences	69,473
Net pension liability	3,645,741
Net OPEB liability	574,200
Total liabilities	8,294,886
Deferred Inflows of Resources	
Unavailable revenues:	
Succeeding year property tax	6,371,000
Succeeding year tax increment financing	504,000
Pension related deferred inflows	111,352
Total deferred inflows of resources	6,986,352
Net Position	
Net investment in capital assets	30,687,404
Restricted for:	
Supplemental levy purposes	264,653
Mental health purposes	197,495
Rural services purposes	1,130,230
Secondary roads purposes	2,260,457
Conservation purposes	870,336
Debt service purposes	14,815
Other purposes	329,709
Unrestricted	44,577
Total net position	$ 35,799,676

See notes to financial statements.

Butler County

Statement of Activities

Year ended June 30, 2017

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:					
Governmental activities:					
Public safety and legal services	$ 2,180,946	288,772	2,572	1,500	(1,888,102)
Physical health and social services	1,322,283	761,729	333,649	-	(226,905)
Mental health	562,272	-	121,364	-	(440,908)
County environment and education	950,046	40,576	67,136	290,929	(551,405)
Roads and transportation	7,524,780	45,101	3,897,108	3,811,187	228,616
Governmental services to residents	604,454	285,880	18	-	(318,556)
Administration	1,764,809	124,223	118,394	-	(1,522,192)
Nonprogram	1,396	3,580	-	-	2,184
Interest on long-term debt	105,121	-	769	-	(104,352)
Total	$ 15,016,107	1,549,861	4,541,010	4,103,616	(4,821,620)
General Revenues:					
Property and other county tax levied for:					
General purposes					6,148,983
Debt service					250,483
Tax increment financing					374,851
Penalty and interest on property tax					35,296
State tax credits					538,815
Local option sales tax					469,745
Unrestricted investment earnings					157,903
Rent					131,417
Gain on disposition of capital assets					1,840
Miscellaneous					72,595
Total general revenues					8,181,928
Change in net position					3,360,308
Net position beginning of year					32,439,368
Net position end of year					$ 35,799,676

See notes to financial statements.

Butler County

Balance Sheet
Governmental Funds

June 30, 2017

		Special	
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	$ 3,776,571	184,799	1,109,824
Receivables:			
Property tax:			
Delinquent	4,496	434	296
Succeeding year	3,712,000	353,000	2,060,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	26,502	-	-
Accounts	9,553	-	-
Economic development loans	-	-	-
Due from other governments	191,490	17,688	91,679
Inventories	-	-	-
Prepaid items	6,446	-	-
Total assets	$ 7,727,058	555,921	3,261,799
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 44,238	23	6,540
Salaries and benefits payable	86,657	2,577	8,543
Due to other governments	2,113	-	815
Total liabilities	133,008	2,600	15,898
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,712,000	353,000	2,060,000
Succeeding year tax increment financing	-	-	-
Other	30,998	434	52,889
Total deferred inflows of resources	3,742,998	353,434	2,112,889
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	6,446	-	-
Restricted for:			
Supplemental levy purposes	534,331	-	-
Mental health purposes	-	199,887	-
Rural services purposes	-	-	1,133,012
Secondary roads purposes	-	-	-
Resource enhancement and protection	-	-	-
Conservation land acquisition	433,849	-	-
Conservation trust	-	-	-
Jail and courthouse security	93,916	-	-
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	104,936	-	-
Unassigned	2,677,574	-	-
Total fund balances	3,851,052	199,887	1,133,012
Total liabilities, deferred inflows of resources and fund balances	$ 7,727,058	555,921	3,261,799

See notes to financial statements.

Revenue		
Secondary Roads	Nonmajor	Total
1,684,216	579,470	7,334,880
-	287	5,513
-	246,000	6,371,000
-	504,000	504,000
-	-	26,502
355	189	10,097
-	11,903	11,903
428,341	-	729,198
996,161	-	996,161
9,670	-	16,116
3,118,743	1,341,849	16,005,370
386,297	335	437,433
52,672	1,225	151,674
165	-	3,093
439,134	1,560	592,200
-	246,000	6,371,000
-	504,000	504,000
-	12,190	96,511
-	762,190	6,971,511
996,161	-	996,161
9,670	-	16,116
-	-	534,331
-	-	199,887
-	-	1,133,012
1,673,778	-	1,673,778
-	103,865	103,865
-	-	433,849
-	332,622	332,622
-	-	93,916
-	309	309
-	22,658	22,658
-	118,645	223,581
-	-	2,677,574
2,679,609	578,099	8,441,659
3,118,743	1,341,849	16,005,370

Butler County

Butler County

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

June 30, 2017

Total governmental fund balances (page 21)		$ 8,441,659
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 $55,527,191 and the accumulated depreciation is $21,744,787.		33,782,404
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		96,511
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 1,293,140	
Deferred inflows of resources	(111,352)	1,181,788
Long-term liabilities, including general obligation bonds payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(7,702,686)
Net position of governmental activities (page 18)		$ 35,799,676

See notes to financial statements.

Butler County

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

Year ended June 30, 2017

		Special	
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	$ 3,763,728	362,970	2,024,531
Tax increment financing	-	-	-
Local option sales tax	-	-	218,493
Interest and penalty on property tax	34,389	-	-
Intergovernmental	1,670,457	151,370	356,042
Licenses and permits	26,157	-	8,306
Charges for service	499,280	-	300
Use of money and property	283,619	1,532	-
Miscellaneous	205,360	-	2,092
Total revenues	6,482,990	515,872	2,609,764
Expenditures:			
Operating:			
Public safety and legal services	1,657,270	-	520,482
Physical health and social services	1,331,837	-	-
Mental health	-	558,741	-
County environment and education	490,387	-	295,474
Roads and transportation	-	-	75,000
Governmental services to residents	525,087	-	9,075
Administration	1,638,612	-	-
Non-program	1,396	-	-
Debt service	-	-	-
Capital projects	427,420	-	-
Total expenditures	6,072,009	558,741	900,031
Excess (deficiency) of revenues over (under) expenditures	410,981	(42,869)	1,709,733
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(240,207)	-	(1,538,000)
Total other financing sources (uses)	(240,207)	-	(1,538,000)
Change in fund balances	170,774	(42,869)	171,733
Fund balances beginning of year	3,680,278	242,756	961,279
Fund balances end of year	$ 3,851,052	199,887	1,133,012

See notes to financial statements.

Revenue		
Secondary Roads	Nonmajor	Total
-	250,730	6,401,959
-	374,851	374,851
251,252	-	469,745
-	-	34,389
4,890,026	59,093	7,126,988
13,705	-	48,168
8,522	3,156	511,258
5,700	19,927	310,778
48,727	43,072	299,251
5,217,932	750,829	15,577,387
-	-	2,177,752
-	-	1,331,837
-	-	558,741
-	75,701	861,562
5,334,166	-	5,409,166
-	48,743	582,905
-	-	1,638,612
-	-	1,396
-	590,740	590,740
1,250,531	-	1,677,951
6,584,697	715,184	14,830,662
(1,366,765)	35,645	746,725
1,675,000	425,067	2,100,067
-	(321,860)	(2,100,067)
1,675,000	103,207	-
308,235	138,852	746,725
2,371,374	439,247	7,694,934
2,679,609	578,099	8,441,659

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, 2017

Change in fund balances - Total governmental funds (page 25)		$ 746,725
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	$ 1,630,192	
Capital assets contributed by the Iowa Department of Transportation	3,126,290	
Depreciation expense	(2,166,681)	2,589,801
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.		1,840
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:		
Property tax	(2,493)	
Other	(326,609)	(329,102)
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.		485,000
The current year County share of IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.		451,318
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	(28,015)	
Other postemployment benefits	(65,400)	
Pension expense	(492,478)	
Interest on long-term debt	619	(585,274)
Change in net position of governmental activities (page 19)		$ 3,360,308

See notes to financial statements.

Butler County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

Assets	
Cash and pooled investments:	
County Treasurer	$ 7,001,424
Other County officials	113,141
Receivables:	
Property tax:	
Delinquent	23,549
Succeeding year	16,243,000
Accounts	134,222
Special assessments	54,643
Due from other governments	339,370
Total assets	23,909,349
Liabilities	
Accounts payable	2,717,279
Salaries and benefits payable	8,122
Due to other governments	21,081,429
Trusts payable	93,445
Compensated absences	9,074
Total liabilities	23,909,349
Net position	$ -

See notes to financial statements.

Butler County

(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 E-911 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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 attributable 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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 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 roads 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 and non-negotiable certificates of deposit which are stated at amortized 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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 no more than 15 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 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, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at the acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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. 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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, contributions from the County after the measurement date but before the end of the County's reporting period and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

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, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. 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 inflows of resources in the governmental fund financial statements represent 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 inflows of resources consist of property tax receivable, tax increment financing receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables which will not be recognized until the year for which it is levied and the unamortized portion of the unrecognized items not yet credited to pension expense.

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, 2017, disbursements exceeded the amount budgeted in the capital projects function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2017 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 ensure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of $245,915 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The investment in the IPAIT is unrated.

The County had no other investments meeting the disclosure requirements of Governmental Standards Board Statement No. 72.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Conservation Trust	General	$ 60,500
Secondary Roads	General	137,000
	Special Revenue:	
	Rural Services	1,538,000
		1,675,000
County Recorder's Records Management	General	42,707
Debt Service	Special Revenue:	
	Logistics Tax Increment Financing	321,860
Total		$ 2,100,067

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, 2017 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,016,469	207,620	-	1,224,089
Construction in progress	10,615	-	10,615	-
Construction in progress, road network	1,590,013	4,151,946	2,763,460	2,978,499
Total capital assets not being depreciated	2,617,097	4,359,566	2,774,075	4,202,588
Capital assets being depreciated:				
Buildings	3,528,021	-	-	3,528,021
Improvements other than buildings	75,820	-	-	75,820
Equipment and vehicles	10,988,027	371,491	63,965	11,295,553
Infrastructure, road network	31,893,242	2,763,460	-	34,656,702
Infrastructure, other	1,722,467	46,040	-	1,768,507
Total capital assets being depreciated	48,207,577	3,180,991	63,965	51,324,603
Less accumulated depreciation for:				
Buildings	1,970,229	39,062	-	2,009,291
Improvements other than buildings	15,451	3,033	-	18,484
Equipment and vehicles	8,412,606	655,410	55,805	9,012,211
Infrastructure, road network	8,918,270	1,433,049	-	10,351,319
Infrastructure, other	317,355	36,127	-	353,482
Total accumulated depreciation	19,633,911	2,166,681	55,805	21,744,787
Total capital assets being depreciated, net	28,573,666	1,014,310	8,160	29,579,816
Governmental activities capital assets, net	$ 31,190,763	5,373,876	2,782,235	33,782,404

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 54,956
Physical health and social services	2,787
County environment and education	71,731
Roads and transportation	1,947,346
Governmental services to residents	15,585
Administration	74,276
Total depreciation expense - governmental activities	$ 2,166,681

(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, 2017 is as follows:

Fund	Description	Amount
General	Services	$ 2,113
Special Revenue:		
Rural Services		815
Secondary Roads	Services	165
		980
Total for governmental funds		$ 3,093
Agency:		
County Agricultural Extension	Collections	$ 191,480
County Assessor		546,702
Schools		10,312,327
Community Colleges		748,995
Corporations		4,491,048
Townships		260,356
City Special Assessments		56,071
Auto License and Use Tax		417,136
County Social Services		3,684,491
Empowerment Board		83,469
All other		289,354
Total for agency funds		$ 21,081,429

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	General Obligation Urban Renewal Bonds	General Obligation Bonds	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	$ 3,055,000	525,000	351,600	2,641,633	508,800	7,082,033
Increases	-	-	380,056	1,004,108	65,400	1,449,564
Decreases	225,000	260,000	352,041	-	-	837,041
Balance end of year	$ 2,830,000	265,000	379,615	3,645,741	574,200	7,694,556
Due within one year	$ 230,000	265,000	310,142	-	-	805,142

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 for 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.

On September 4, 2013, the County issued $1,600,000 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 for the Butler County Logistics Park Urban Renewal Area by extending a gas line. 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 bonds are as follows:

Year	Issued Aug 31, 2010			Issued Sept 4, 2013		
Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2018	2.40%	$ 150,000	41,555	3.00%	$ 80,000	50,560
2019	2.60	155,000	37,955	3.00	85,000	48,160
2020	2.80	160,000	33,925	3.00	150,000	45,610
2021	3.00	165,000	29,445	3.00	155,000	41,110
2022	3.20	170,000	24,495	3.00	170,000	36,460
2023-2026	3.20-3.50	560,000	38,995	3.25-4.00	830,000	81,695
Total		$ 1,360,000	206,370		$ 1,470,000	303,595

Year Ending June 30,	Total Principal	Total Interest	Total
2018	$ 230,000	92,115	322,115
2019	240,000	86,115	326,115
2020	310,000	79,535	389,535
2021	320,000	70,555	390,555
2022	340,000	60,955	400,955
2023-2026	1,390,000	120,690	1,510,690
Total	$ 2,830,000	509,965	3,339,965

During the year ended June 30, 2017, $225,000 of general obligation urban renewal bonds were retired and interest of $96,360 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. The final payment of $265,000 and $7,240 of principal and interest, respectively, will be paid during fiscal year 2018.

During the year ended June 30, 2017, $260,000 of general obligation bonds were retired and $7,880 of interest was paid.

(7) Development and Rebate Agreements

The County has entered into two rebate agreements to assist in urban renewal projects. The agreements require the County to rebate portions of the incremental property tax paid by the developer in exchange for construction of buildings and certain infrastructure improvements by the developers. The agreements also require the developer to certify specific employment requirements are met. The payments under the agreements are subject to annual appropriation by the Board of Supervisors. The maximum outstanding balance of the agreements at June 30, 2017 was $700,000.

(8) Economic Development Revolving Loan Fund

The County has four economic development loans receivable totaling $11,903 at June 30, 2017 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.

(9) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.63% of covered payroll for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2017 totaled $451,318.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the County reported a liability of $3,645,741 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers.

At June 30, 2016, the County's proportion was 0.057930%, which was an increase of 0.004461% over its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of $492,478. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 29,838	76,449
Changes of assumptions	51,508	16,340
Net difference between projected and actual earnings on IPERS' investments	670,237	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	90,239	18,563
County contributions subsequent to the measurement date	451,318	-
Total	$ 1,293,140	111,352

$451,318 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2018	$ 83,171
2019	83,171
2020	353,179
2021	209,749
2022	1,200
Total	$ 730,470

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domesitc equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset)	$ 6,459,538	3,645,741	1,273,285

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2017.

(10) 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 85 active and 5 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, 2017, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	$ 80,500
Interest on net OPEB obligation	12,700
Adjustment to annual required contribution	(27,800)
Annual OPEB cost	65,400
Contributions made	-
Increase in net OPEB obligation	65,400
Net OPEB obligation beginning of year	508,800
Net OPEB obligation end of year	$ 574,200

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2017.

For the year ended June 30, 2017, the County contributed $0 to the medical plan. Plan members eligible for benefits contributed $47,551, 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
2015	$ 94,000	1.0%	$ 444,300
2016	64,500	0.0	508,800
2017	65,400	0.0	574,200

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was $614,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $614,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $5,054,000 and the ratio of the UAAL to covered payroll was 12.1%. As of June 30, 2017, 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, 2015 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 RP 2000 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 $629 to $2,055 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.

(11) 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 753 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 casualty 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of the basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2017 were $149,542.

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 $500,000 per claim. Claims exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of casualty claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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, 2017, no liability has been recorded in the County's financial statements. As of June 30, 2017, 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 casualty 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of $1,000,000. 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.

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Parkersburg	Urban renewal and economic development projects	$ 55,677
City of Shell Rock	Urban renewal and economic development projects	$ 8,084

(13) 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, Emmett, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth and Wright. The financial activity of the County's Special Revenue, Mental Health Fund is included in the County Social Services financial statements for the year ended June 30, 2017 as follows:

Revenues:		
Property and other county tax		$ 362,970
Intergovernmental revenues:		
State tax credits and replacements	$ 31,538	
Medicaid	119,832	151,370
Use of money and property		1,532
Total revenues		515,872
Expenditures:		
Services to persons with:		
Mental illness		674
General administration:		
Distribution to regional fiscal agent		450,899
County provided case management		107,168
Total expenditures		558,741
Deficiency of revenues under expenditures		(42,869)
Fund balance beginning of year		242,756
Fund balance end of year		$ 199,887

(14) 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. 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, 2017 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	$ 59,855	-	59,855
Family support and parent education	-	236,104	236,104
Preschool support for low-income families	-	111,334	111,334
Quality improvement	-	60,236	60,236
Allocation for administration	3,150	13,970	17,120
Other grant programs	-	26,902	26,902
Total state grants	63,005	448,546	511,551
Interest on investments	154	1,128	1,282
Total revenues	63,159	449,674	512,833
Expenditures:			
Program services:			
Early childhood	59,051	-	59,051
Family support and parent education	-	247,859	247,859
Preschool support for low income families	-	121,044	121,044
Quality improvement	-	58,191	58,191
Other program services	-	27,716	27,716
Total program services	59,051	454,810	513,861
Administration	3,114	13,754	16,868
Total expenditures	62,165	468,564	530,729
Change in fund balance	994	(18,890)	(17,896)
Fund balance beginning of year	1,452	90,339	91,791
Fund balance end of year	$ 2,446	71,449	73,895

(15) Pending Litigation

The County is a defendant in several lawsuits seeking specified and unspecified amounts of damages. The probability and amount of loss, if any, is indeterminable.

(16) Subsequent Event

In November 2017, the County issued $3,000,000 in general obligation urban renewal bonds Series 2017 for essential county urban renewal purposes. The bonds are payable from a continuing annual levy of taxes against all taxable property of the County.

(17) New Accounting Pronouncement

The County adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the tax abatements of other entities which impact the County.

(18) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's other postemployment benefits.

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, 2017

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Receipts:				
Property and other county tax	$ 7,224,974	7,213,384	7,213,384	11,590
Interest and penalty on property tax	34,389	46,000	46,000	(11,611)
Intergovernmental	6,816,064	5,972,021	6,735,127	80,937
Licenses and permits	49,598	34,550	34,550	15,048
Charges for service	497,225	461,217	461,217	36,008
Use of money and property	321,551	300,572	300,572	20,979
Miscellaneous	493,267	145,465	190,465	302,802
Total receipts	15,437,068	14,173,209	14,981,315	455,753
Disbursements:				
Public safety and legal services	2,175,309	2,450,781	2,465,781	290,472
Physical health and social services	1,364,124	1,454,258	1,503,958	139,834
Mental health	557,732	556,007	599,727	41,995
County environment and education	861,102	1,037,605	1,502,605	641,503
Roads and transportation	5,593,268	5,430,000	6,130,000	536,732
Governmental services to residents	585,499	652,760	652,760	67,261
Administration	1,645,753	1,808,022	1,853,022	207,269
Non-program	1,396	2,500	2,500	1,104
Debt service	590,740	590,740	590,740	-
Capital projects	1,706,915	1,489,903	1,489,903	(217,012)
Total disbursements	15,081,838	15,472,576	16,790,996	1,709,158
Excess (deficiency) of receipts over (under) disbursements	355,230	(1,299,367)	(1,809,681)	2,164,911
Other financing sources, net	129	-	-	129
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	355,359	(1,299,367)	(1,809,681)	2,165,040
Balance beginning of year	6,979,521	5,709,532	5,709,532	1,269,989
Balance end of year	$ 7,334,880	4,410,165	3,899,851	3,435,029

See accompanying independent auditor's report.

Butler County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2017

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 15,437,068	140,319	15,577,387
Expenditures	15,081,838	(251,176)	14,830,662
Net	355,230	391,495	746,725
Other financing sources, net	129	(129)	-
Beginning fund balances	6,979,521	715,413	7,694,934
Ending fund balances	$ 7,334,880	1,106,779	8,441,659

See accompanying independent auditor's report.

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 ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by $1,318,420. 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 E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2017, disbursements exceeded the amount budgeted for the capital projects function.

Butler County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Three Years*
(In Thousands)

Required Supplementary Information

	2017	2016	2015
County's proportion of the net pension liability	0.057930%	0.053469%	0.051171%
County's proportionate share of the net pension liability	$ 3,646	2,642	2,029
County's covered-employee payroll	$ 4,924	4,619	4,527
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	74.05%	57.20%	44.82%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Butler County

Schedule of County Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

		2017	2016	2015	2014
Statutorily required contribution	$	451	450	422	415
Contributions in relation to the statutorily required contribution		(451)	(450)	(422)	(415)
Contribution deficiency (excess)	$	-	-	-	-
County's covered-employee payroll	$	4,964	4,924	4,619	4,527
Contributions as a percentage of covered-employee payroll		9.09%	9.14%	9.14%	9.17%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
390	363	319	297	275	248
(390)	(363)	(319)	(297)	(275)	(248)
-	-	-	-	-	-
4,339	4,275	4,250	4,231	4,096	3,932
8.99%	8.49%	7.51%	7.02%	6.71%	6.31%

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008, transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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
2014	Jul 1, 2012	-	688	688	0.0	4,644	14.8
2015	Jul 1, 2012	-	677	677	0.0	4,693	14.4
2016	Jul 1, 2015	-	629	629	0.0	5,001	12.6
2017	Jul 1, 2015	-	614	614	0.0	5,054	12.1

See Note 10 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, 2017

				Special
	Economic Development Revolving Loan	Seized and Forfeited Property	Sesqui-centennial Memorial	County Recorder's Records Management
Assets				
Cash and pooled investments	$ 27,810	9,137	756	728
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year property tax	-	-	-	-
Succeeding year tax increment financing	-	-	-	-
Accounts	189	-	-	-
Economic development loans	11,903	-	-	-
Total assets	$ 39,902	9,137	756	728
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	-	-
Succeeding year tax increment financing	-	-	-	-
Other	11,903	-	-	-
Total deferred inflows of resources	11,903	-	-	-
Fund balances:				
Restricted for:				
Resource enhancement and protection	-	-	-	-
Conservation trust	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Other purposes	27,999	9,137	756	728
Total fund balances	27,999	9,137	756	728
Total liabilities defered inflows of resources and fund balances	$ 39,902	9,137	756	728

See accompanying independent auditor's report.

Revenue							
DARE Program	Canine	Conservation Trust	Resource Enhancement and Protection	Logistics Tax Increment Financing	Debt Service	Capital Projects	Total
1,205	2,008	332,957	105,090	76,812	22,658	309	579,470
-	-	-	-	-	287	-	287
-	-	-	-	-	246,000	-	246,000
-	-	-	-	504,000	-	-	504,000
-	-	-	-	-	-	-	189
-	-	-	-	-	-	-	11,903
1,205	2,008	332,957	105,090	580,812	268,945	309	1,341,849
-	-	335	-	-	-	-	335
-	-	-	1,225	-	-	-	1,225
-	-	335	1,225	-	-	-	1,560
-	-	-	-	-	246,000	-	246,000
-	-	-	-	504,000	-	-	504,000
-	-	-	-	-	287	-	12,190
-	-	-	-	504,000	246,287	-	762,190
-	-	-	103,865	-	-	-	103,865
-	-	332,622	-	-	-	-	332,622
-	-	-	-	-	-	309	309
-	-	-	-	-	22,658	-	22,658
1,205	2,008	-	-	76,812	-	-	118,645
1,205	2,008	332,622	103,865	76,812	22,658	309	578,099
1,205	2,008	332,957	105,090	580,812	268,945	309	1,341,849

Butler County

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

Year ended June 30, 2017

				Special
	Economic Development Revolving Loan	Seized and Forfeited Property	Sesqui-centennial Memorial	County Recorder's Records Management
Revenues:				
Property and other county tax	$ -	-	-	-
Tax increment financing	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	3,156
Use of money and property	16,058	-	4	18
Miscellaneous	-	-	-	-
Total revenues	16,058	-	4	3,174
Expenditures:				
Operating:				
County environment and education	14,500	-	-	-
Governmental services to residents	-	-	-	48,743
Debt service	-	-	-	-
Total expenditures	14,500	-	-	48,743
Excess (deficiency) of revenues over (under) expenditures	1,558	-	4	(45,569)
Other financing sources (uses):				
Transfers in	-	-	-	42,707
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	42,707
Change in fund balances	1,558	-	4	(2,862)
Fund balances beginning of year	26,441	9,137	752	3,590
Fund balances end of year	$ 27,999	9,137	756	728

See accompanying independent auditor’s report.

Revenue							
DARE Program	Canine	Conservation Trust	Resource Enhancement and Protection	Logistics Tax Increment Financing	Debt Service	Capital Projects	Total
-	-	-	-	-	250,730	-	250,730
-	-	-	-	374,851	-	-	374,851
-	-	-	14,495	22,679	21,919	-	59,093
-	-	-	-	-	-	-	3,156
-	-	1,571	603	902	769	2	19,927
-	547	42,525	-	-	-	-	43,072
-	547	44,096	15,098	398,432	273,418	2	750,829
-	-	47,363	13,838	-	-	-	75,701
-	-	-	-	-	-	-	48,743
-	-	-	-	-	590,740	-	590,740
-	-	47,363	13,838	-	590,740	-	715,184
-	547	(3,267)	1,260	398,432	(317,322)	2	35,645
-	-	60,500	-	-	321,860	-	425,067
-	-	-	-	(321,860)	-	-	(321,860)
-	-	60,500	-	(321,860)	321,860	-	103,207
-	547	57,233	1,260	76,572	4,538	2	138,852
1,205	1,461	275,389	102,605	240	18,120	307	439,247
1,205	2,008	332,622	103,865	76,812	22,658	309	578,099

Butler County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	$ -	2,257	124,214	125,276	8,275
Other County officials	113,141	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	223	539	13,051	720
Succeeding year	-	189,000	435,000	10,174,000	740,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	$ 113,141	191,480	559,753	10,312,327	748,995
Liabilities					
Accounts payable	$ -	-	-	-	-
Salaries and benefits payable	-	-	8,122	-	-
Due to other governments	19,696	191,480	546,702	10,312,327	748,995
Trusts payable	93,445	-	-	-	-
Compensated absences	-	-	4,929	-	-
Total liabilities	$ 113,141	191,480	559,753	10,312,327	748,995

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	County Social Services	Empowerment Board	Other	Total
36,076	3,319	1,428	417,136	5,896,484	154,994	231,965	7,001,424
-	-	-	-	-	-	-	113,141
8,972	37	-	-	-	-	7	23,549
4,446,000	257,000	-	-	-	-	2,000	16,243,000
-	-	-	-	126,099	-	8,123	134,222
-	-	54,643	-	-	-	-	54,643
-	-	-	-	306,448	-	32,922	339,370
4,491,048	260,356	56,071	417,136	6,329,031	154,994	275,017	23,909,349
-	-	-	-	2,644,540	71,525	1,214	2,717,279
-	-	-	-	-	-	-	8,122
4,491,048	260,356	56,071	417,136	3,684,491	83,469	269,658	21,081,429
-	-	-	-	-	-	-	93,445
-	-	-	-	-	-	4,145	9,074
4,491,048	260,356	56,071	417,136	6,329,031	154,994	275,017	23,909,349

Butler County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2017

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	$ 106,721	185,033	577,087	10,278,748	696,782
Additions:					
Property and other county tax	-	192,184	443,325	10,376,319	753,402
E-911 surcharge	-	-	-	-	-
State tax credits	-	16,177	39,230	903,157	60,311
Office fees and collections	367,289	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	118,744	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	486,033	208,361	482,555	11,279,476	813,713
Deductions:					
Agency remittances:					
To other funds	154,046	-	-	-	-
To other governments	187,218	201,914	499,889	11,245,897	761,500
Trusts paid out	138,349	-	-	-	-
Total deductions	479,613	201,914	499,889	11,245,897	761,500
Balances end of year	$ 113,141	191,480	559,753	10,312,327	748,995

See accompanying independent auditor’s report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	County Social Services	Empowerment Board	Other	Total
4,092,590	251,625	64,792	413,272	7,165,945	148,721	200,236	24,181,552
4,293,707	267,112	-	-	-	-	2,497	16,328,546
-	-	-	-	-	-	175,744	175,744
538,394	17,379	-	-	-	-	217	1,574,865
-	-	-	-	-	-	3,137	370,426
-	-	-	5,077,414	-	-	201	5,077,615
-	-	32,689	-	-	-	979	33,668
-	-	-	-	-	-	-	118,744
-	-	-	-	21,082,235	512,833	220,083	21,815,151
4,832,101	284,491	32,689	5,077,414	21,082,235	512,833	402,858	45,494,759
-	-	-	167,161	-	-	-	321,207
4,433,643	275,760	41,410	4,906,389	21,919,149	506,560	328,077	45,307,406
-	-	-	-	-	-	-	138,349
4,433,643	275,760	41,410	5,073,550	21,919,149	506,560	328,077	45,766,962
4,491,048	260,356	56,071	417,136	6,329,031	154,994	275,017	23,909,349

Butler County

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

For the Last Ten Years

	2017	2016	2015*	Modified 2014*
Revenues:				
Property and other county tax	$ 6,776,810	6,689,100	6,422,005	6,040,620
Local option sales tax	469,745	417,764	517,570	435,912
Interest and penalty on property tax	34,389	37,623	44,469	49,954
Intergovernmental	7,126,988	6,196,378	29,390,297	28,126,789
Licenses and permits	48,168	37,306	37,672	38,434
Charges for service	511,258	487,784	462,377	520,783
Use of money and property	310,778	351,087	386,431	410,827
Miscellaneous	299,251	289,515	387,909	708,110
Total	$ 15,577,387	14,506,557	37,648,730	36,331,429
Expenditures:				
Operating:				
Public safety and legal services	$ 2,177,752	2,144,575	2,098,923	2,025,585
Physical health and social services	1,331,837	1,347,304	1,391,917	1,264,472
Mental health	558,741	491,015	26,344,911	21,001,701
County environment and education	861,562	1,045,147	726,612	726,629
Roads and transportation	5,409,166	5,021,094	4,961,583	4,812,337
Governmental services to residents	582,905	557,884	650,844	505,399
Administration	1,638,612	1,542,778	1,677,803	1,550,620
Non-program	1,396	-	-	-
Debt service	590,740	619,495	544,341	534,736
Capital projects	1,677,951	1,982,515	1,226,381	1,929,672
Total	$ 14,830,662	14,751,807	39,623,315	34,351,151

* Fiscal years 2011 through 2015 include the mental health activity of County Social Services.

See accompanying independent auditor's report.

Accrual Basis					
2013*	2012*	2011*	2010	2009	2008
5,824,270	5,697,329	5,114,544	4,916,248	4,799,419	4,251,927
475,028	410,548	462,876	442,994	480,410	484,244
45,381	41,774	48,872	47,053	36,458	32,746
24,263,804	37,301,942	27,394,705	5,797,705	7,530,529	6,125,937
22,980	19,470	15,030	15,565	15,653	14,649
527,185	649,824	478,693	481,389	453,012	464,111
411,239	410,976	494,374	413,591	383,842	446,133
467,648	280,161	291,830	241,445	301,275	339,052
32,037,535	44,812,024	34,300,924	12,355,990	14,000,598	12,158,799
1,974,728	1,985,563	1,811,092	1,762,804	1,666,888	1,578,721
1,232,634	1,321,121	1,440,316	1,423,468	1,329,711	1,354,701
20,908,988	31,106,457	24,384,286	1,305,470	1,294,403	1,411,156
692,881	739,409	648,780	671,898	686,139	664,791
4,582,866	6,036,761	5,042,205	4,451,830	5,245,618	4,028,374
472,805	471,289	428,521	446,943	414,465	389,465
1,528,108	1,476,114	1,501,098	1,351,304	1,210,085	1,232,630
36,118	1,184	17,785	39,702	200,000	7,017
493,776	238,647	77,372	38,942	38,941	38,941
522,641	1,975,248	2,277,336	643,210	2,019,732	977,440
32,445,545	45,351,793	37,628,791	12,135,571	14,105,982	11,683,236

Butler County

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

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, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 27, 2018.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Butler County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2017 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

MARY MOSIMAN, CPA
Auditor of State

February 27, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one or two individuals in the County Sheriff's office may have control over the following areas for which no compensating controls exist:

(1) An initial listing of cash and checks received in the mail is not prepared.

(2) Bank reconciliations are not prepared by someone who doesn't handle or record cash and an independent review is not performed.

(3) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from recording and accounting for cash.

(4) There is no accounting procedures manual for the Sheriff's Office.

Cause – The County Sheriff's office has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, control activities should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel, including elected officials and personnel from other offices should be utilitzed to provide additional control through review of financial transactions, reconciliations and reports.

Response – The Sheriff will review control activities to achieve the maximum internal control possible.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amount budgeted for the capital projects function.

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

Response – The County will continue to work with departments to ensure budget amendments are requested as needed.

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 – No business transactions between the County and County officials or employees were noted.

(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.

(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, 2017 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) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the following reporting exceptions were noted:

The County overstated the amount reported as TIF debt outstanding on the Levy Authority Summary. In addition, the amount reported as expenses on the Levy Authority Summary does not agree with the County's General Ledger.

Recommendation – The County should ensure the TIF debt outstanding and expenses reported in the Levy Authority Summary agree with and are supported by the County's records

Response – The County will work to ensure all outstanding TIF debt is properly reported on the Annual Urban Renewal Report.

Conclusion – Response accepted.

(12) E-911 Services Board Budget – Disbursements for the E-911 Services Board Fund did not exceed the amount budgeted.

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Emma L. McGrane, Senior Auditor
Kelly L. Hilton, Senior Auditor
Jason J. Miller, Assistant Auditor
Erin M. Wittrock, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State