OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

NEWS RELEASE

Contact: Marlys Gaston
515/281-5834

FOR RELEASE March 20, 2019

Auditor of State Rob Sand today released an audit report on Butler County, Iowa.

The County had local tax revenue of $25,081,299 for the year ended June 30, 2018, which included $2,106,770 in tax credits from the state. The County forwarded $17,887,961 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $7,193,338 of the local tax revenue to finance County operations, a 3.7% increase over the prior year. Other revenues included charges for service of $1,306,742, operating grants, contributions and restricted interest of $4,897,080, capital grants, contributions and restricted interest of $2,920,300, tax increment financing of $453,256, local option sales tax of $452,420, unrestricted investment earnings of $187,267 and other general revenues of $359,792.

Expenses for County operations for the year ended June 30, 2018 totaled $15,927,663, a 6.1% increase over the prior year. Expenses included $7,664,509 for roads and transportation, $2,290,444 for public safety and legal services and $1,902,750 for administration services.

A copy of the audit report is available for review on the Auditor of State's web site at https://auditor.iowa.gov/reports/audit-reports/.

# # #

BUTLER COUNTY

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

JUNE 30, 2018

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Butler County

Officials

Name	Title	Term Expires
Robert (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
Michele Shultz	County Assessor	Jan 2022

Butler County

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Independent Auditor's Report

To the Officials of Butler County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County, Iowa, as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 16 to the financial statements, Butler County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

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 Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 9 through 15 and 52 through 59 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, 2017 (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 March 12, 2019 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.

ROB SAND
Auditor of State

March 12, 2019

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, 2018. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by $347,124 to retroactively report the decrease in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

- Governmental activities revenues decreased $606,220, or 3.3%, from fiscal year 2017 to fiscal year 2018. Capital grants, contributions and restricted interest decreased $1,183,316, or 28.8%, while property and other county tax, including tax increment financing, increased $324,687, or 4.8%.

- Governmental activities expenses increased $911,556, or 6.1%, from fiscal year 2017 to fiscal year 2018. County environment and education expenses increased $394,444 and roads and transportation expenses increased $139,729.

- The County's net position increased 5.1%, or $1,842,532, over the restated June 30, 2017 balance.

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 Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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 financial information on 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 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

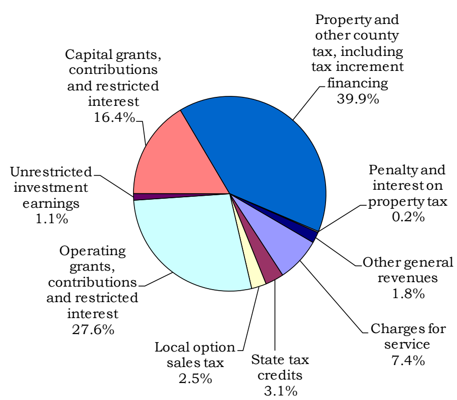
As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the net position of governmental activities prior to restatement.

Net Position of Governmental Activities		
	June 30,	
	2018	2017 (Not Restated)
Current and other assets	$ 18,611,063	16,005,370
Capital assets	36,023,559	33,782,404
Total assets	54,634,622	49,787,774
Deferred outflows	1,369,911	1,293,140
Long-term liabilities	9,995,555	7,694,556
Other liabilities	746,680	600,330
Total liabilities	10,742,235	8,294,886
Deferred inflows of resources	7,272,966	6,986,352
Net position:		
Net investment in capital assets	30,423,559	30,687,404
Restricted	7,661,801	5,067,695
Unrestricted	(96,028)	44,577
Total net position	$ 37,989,332	35,799,676

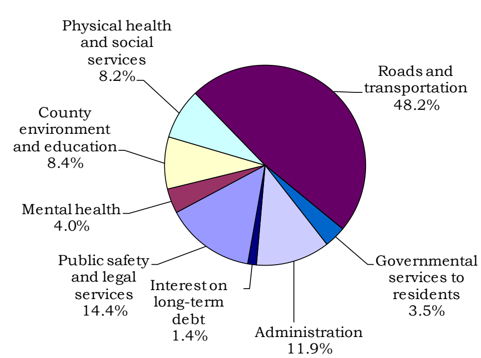
The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased $2,594,106, or 51.2%, from June 30, 2017 to June 30, 2018, due to the issuance of $3.0 million of general obligation urban renewal bonds for road projects. 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 ($96,028) at June 30, 2018. Unrestricted net position decreased $140,605 from the June 30, 2017 balance, prior to restatement. Unrestricted net position decreased primarily due to reporting the total OPEB liability.

Changes in Net Position of Governmental Activities (Expressed in Thousands)			
		Year ended June 30,	
		2018	2017 (Not Restated)
Revenues:			
Program revenues:			
Charges for service	$	1,306,742	1,549,861
Operating grants, contributions and restricted interest		4,897,080	4,541,010
Capital grants, contributions and restricted interest		2,920,300	4,103,616
General revenues:			
Property and other county tax, including tax increment financing		7,099,004	6,774,317
Penalty and interest on property tax		38,741	35,296
State tax credits		547,590	538,815
Local option sales tax		452,420	469,745
Unrestricted investment earnings		187,267	157,903
Other general revenues		321,051	205,852
Total revenues		17,770,195	18,376,415
Program expenses:			
Public safety and legal services		2,290,444	2,180,946
Physical health and social services		1,313,801	1,322,283
Mental health		642,874	562,272
County environment and education		1,344,490	950,046
Roads and transportation		7,664,509	7,524,780
Governmental services to residents		552,618	604,454
Administration		1,902,750	1,764,809
Nonprogram		772	1,396
Interest on long-term debt		215,405	105,121
Total expenses		15,927,663	15,016,107
Change in net position		1,842,532	3,360,308
Net position beginning of year, as restated		36,146,800	32,439,368
Net position end of year	$	37,989,332	35,799,676

Revenues by Source



Expenses by Program



Revenues for governmental activities decreased $606,220 from the prior year. Capital grants, contributions and restricted interest decreased $1,183,316 due to the decrease of approximately $923,000 in farm to market roadway projects contributed by the Iowa Department of Transportation and the decrease of approximately $193,000 in Federal Emergency Management Agency (FEMA) funds received compared to the prior year.

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 2018 with a fund balance of $3,575,727, a $275,325 decrease from the ending balance for fiscal year 2017. Revenues decreased $197,011, or 3.0%, and expenditures increased $314,960, or 5.2%. The decrease in revenues was due primarily to the receipt of approximately $190,000 in fiscal year 2017 for Conservation land acquisition which did not occur in fiscal year 2018. Expenditures increased due, in part, to the cost of the implementation of the new accounting software.
- The Special Revenue, Mental Health Fund ended fiscal year 2018 with a fund balance of $84,610 compared to fiscal year 2017 which ended with a balance of $199,887. Revenues increased $9,243, or 1.8%. Expenditures increased $81,651 or 14.6%, due primarily to an increase of $60,377 in the distribution to County Social Services.
- The Special Revenue, Rural Services Fund ended fiscal year 2018 with a fund balance of $1,285,694, an increase of $152,682 over the ending balance for fiscal year 2017. Revenues increased $192,063 or 7.4% over the prior year and expenditures decreased $5,886 or 0.7% from the prior year. Property tax revenues increased approximately $177,000 due to the increase in the rural services property valuations.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2018 with a fund balance of $2,736,456. This is an increase of $56,847 over the ending balance for fiscal year 2017. Revenues decreased $299,435, or 5.8%, due, in part, to a decrease in revenues of approximately $226,000 for FEMA projects and approximately $200,000 for bridge replacement projects. Expenditures increased $279,853, or 4.3%, due, in part, to equipment purchases during fiscal year 2018.
- The Capital Projects Fund ended fiscal year 2018 with a fund balance of $2,274,049, an increase of $2,273,740, over the ending balance for fiscal year 2017. During fiscal year 2018 the County issued $3,000,000 of general obligation bonds for road projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, Butler County amended its budget two times. The first amendment was made in December 2017 and resulted in an increase in budgeted disbursements of $1,175,500, primarily for road repairs and other capital projects.

The second amendment occurred in May 2018. This amendment resulted in increased budgeted disbursements of $141,290, primarily to cover the increase in physical health and social services costs and to budget for a bond interest payment.

The County's receipts were $260,452 less than budgeted, a variance of 1.7%. The most significant variance resulted from the County collecting less intergovernmental receipts than anticipated.

Total disbursements were $1,972,116 less than the amended budget. The largest variance resulted from capital projects and the roads and transportation function disbursements being $1,100,085 and $224,000, respectively, less than budgeted. This was primarily due to a delay in road construction.

The County did not exceed the budgeted amounts in any disbursement functions for the year ended June 30, 2018. However, even with the budget amendment, the County exceeded the amount appropriated for the road clearing department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Butler County had approximately $36.0 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 $2.2 million over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2018	2017
Land	$ 1,274,235	1,224,089
Construction in progress	1,342,036	2,978,499
Buildings	1,479,668	1,518,730
Improvements other than buildings	54,303	57,336
Equipment and vehicles	2,513,510	2,283,342
Infrastructure	29,359,807	25,720,408
Total	$ 36,023,559	33,782,404

This year's major additions included:	
Infrastructure contributed by the Iowa Department of Transportation	$ 2,939,743
Road network construction	798,586
Purchase of vehicle for the Sheriff's Office	29,390
Purchase of equipment for the Secondary Roads Department	810,061
Purchase of land, equipment and land improvements for the Conservation Department	69,146
Purchase of data processing equipment	61,394
Purchase of election equipment	10,500
Total	$ 4,718,820

The County had depreciation expense of $2,477,665 in fiscal year 2018 and total accumulated depreciation of approximately $23.7 million at June 30, 2018. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2018, Butler County had approximately $5.6 million of outstanding general obligation debt, compared to approximately $3.095 million of long-term debt at June 30, 2017.

Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2018	2017
General obligation urban renewal bonds	$ 5,600	2,830
General obligation bonds	-	265
Total	$ 5,600	3,095

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 $82 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 2019 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, 2018 was 2.5%, a decrease from the June 30, 2017 rate of 3.3%.

Butler County's unemployment rate was the same as the State's unemployment rate of 2.5%, and lower than the national rate of 4.0% for the same period.

Fiscal year 2019 budgeted receipts increased approximately $630,000 while budgeted disbursements increased approximately $2,450,000 compared to fiscal year 2018 actuals. If the budget estimates are realized, the County's fund balances are expected to decrease approximately $2.8 million by the close of fiscal year 2019.

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, 2018

	Governmental Activities
Assets	
Cash and pooled investments	$ 9,467,654
Receivables:	
Property tax:	
Delinquent	6,749
Succeeding year	6,605,000
Succeeding year tax increment financing	478,000
Interest and penalty on property tax	33,416
Accounts	40,865
Economic development loans	5,865
Due from other governments	982,519
Inventories	972,192
Prepaid items	18,803
Capital assets, net of accumulated depreciation	36,023,559
Total assets	54,634,622
Deferred Outflows of Resources	
Pension related deferred outflows	1,369,911
Liabilities	
Accounts payable	472,692
Salaries and benefits payable	192,109
Accrued interest payable	13,426
Due to other governments	68,453
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	425,000
Compensated absences	318,426
Portion due or payable after one year:	
General obligation bonds	5,175,000
Compensated absences	71,463
Net pension liability	3,776,927
Total OPEB liability	228,739
Total liabilities	10,742,235
Deferred Inflows of Resources	
Unavailable revenues:	
Succeeding year property tax	6,605,000
Succeeding year tax increment financing	478,000
Pension related deferred inflows	181,322
OPEB related deferred inflows	8,644
Total deferred inflows of resources	7,272,966
Net Position	
Net investment in capital assets	30,423,559
Restricted for:	
Supplemental levy purposes	267,001
Mental health purposes	82,110
Rural services purposes	1,322,556
Secondary roads purposes	2,529,155
Conservation purposes	819,745
Debt service	25,836
Capital projects	2,274,049
Other purposes	341,349
Unrestricted	(96,028)
Total net position	$ 37,989,332

See notes to financial statements.

Butler County

Statement of Activities

Year ended June 30, 2018

		Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:					
Governmental activities:					
Public safety and legal services	$ 2,290,444	307,359	2,025	-	(1,981,060)
Physical health and social services	1,313,801	471,263	377,227	-	(465,311)
Mental health	642,874	-	130,316	-	(512,558)
County environment and education	1,344,490	47,938	126,771	219,918	(949,863)
Roads and transportation	7,664,509	79,634	4,112,721	2,700,382	(771,772)
Governmental services to residents	552,618	295,463	21,237	-	(235,918)
Administration	1,902,750	101,647	126,783	-	(1,674,320)
Nonprogram	772	3,438	-	-	2,666
Interest on long-term debt	215,405	-	-	-	(215,405)
Total	$ 15,927,663	1,306,742	4,897,080	2,920,300	(6,803,541)
General Revenues:					
Property and other county tax levied for:					
General purposes					6,392,763
Debt service					252,985
Tax increment financing					453,256
Penalty and interest on property tax					38,741
State tax credits					547,590
Local option sales tax					452,420
Unrestricted investment earnings					187,267
Rent					134,689
Gain on disposition of capital assets					46,000
Miscellaneous					140,362
Total general revenues					8,646,073
Change in net position					1,842,532
Net position beginning of year, as restated					36,146,800
Net position end of year					$ 37,989,332

See notes to financial statements.

Butler County

Balance Sheet
Governmental Funds

June 30, 2018

			Special
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	$ 3,591,646	67,624	1,282,393
Receivables:			
Property tax:			
Delinquent	5,119	487	821
Succeeding year	3,805,000	472,000	2,090,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	33,416	-	-
Accounts	39,575	-	-
Economic development loans	-	-	-
Due from other governments	213,823	19,590	71,692
Inventories	-	-	-
Prepaid items	7,521	-	-
Total assets	$ 7,696,100	559,701	3,444,906
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 98,996	-	3,091
Salaries and benefits payable	111,207	2,604	11,010
Due to other governments	66,635	-	1,522
Total liabilities	276,838	2,604	15,623
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,805,000	472,000	2,090,000
Succeeding year tax increment financing	-	-	-
Other	38,535	487	53,589
Total deferred inflows of resources	3,843,535	472,487	2,143,589
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	7,521	-	-
Restricted for:			
Supplemental levy purposes	282,519	-	-
Mental health purposes	-	84,610	-
Rural services purposes	-	-	1,285,694
Secondary roads purposes	-	-	-
Resource enhancement and protection	-	-	-
Conservation land acquisition	273,142	-	-
Conservation trust	-	-	-
Jail and courthouse security	96,016	-	-
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	85,536	-	-
Unassigned	2,830,993	-	-
Total fund balances	3,575,727	84,610	1,285,694
Total liabilities, deferred inflows of resources and fund balances	$ 7,696,100	559,701	3,444,906

See notes to financial statements.

Revenue			
Secondary Roads	Capital Projects	Nonmajor	Total
1,512,738	2,274,049	739,204	9,467,654
-	-	322	6,749
-	-	238,000	6,605,000
-	-	478,000	478,000
-	-	-	33,416
241	-	1,049	40,865
-	-	5,865	5,865
677,414	-	-	982,519
972,192	-	-	972,192
11,282	-	-	18,803
3,173,867	2,274,049	1,462,440	18,611,063
370,572	-	33	472,692
66,543	-	745	192,109
296	-	-	68,453
437,411	-	778	733,254
-	-	238,000	6,605,000
-	-	478,000	478,000
-	-	6,187	98,798
-	-	722,187	7,181,798
972,192	-	-	972,192
11,282	-	-	18,803
-	-	-	282,519
-	-	-	84,610
-	-	-	1,285,694
1,752,982	-	-	1,752,982
-	-	101,199	101,199
-	-	-	273,142
-	-	445,404	445,404
-	-	-	96,016
-	2,274,049	-	2,274,049
-	-	38,940	38,940
-	-	153,932	239,468
-	-	-	2,830,993
2,736,456	2,274,049	739,475	10,696,011
3,173,867	2,274,049	1,462,440	18,611,063

Butler County

Butler County

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

June 30, 2018

Total governmental fund balances (page 21)		$ 10,696,011
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 $59,680,565 and the accumulated depreciation is $23,657,006.		36,023,559
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.		98,798
Pension and OPEB 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	$ 1,369,911	
Deferred inflows of resources	(189,966)	1,179,945
Long-term liabilities, including general obligation bonds payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(10,008,981)
Net position of governmental activities (page 18)		$ 37,989,332

See notes to financial statements.

Butler County

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

Year ended June 30, 2018

			Special
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	$ 3,825,525	364,222	2,201,814
Tax increment financing	-	-	-
Local option sales tax	-	-	226,210
Interest and penalty on property tax	31,827	-	-
Intergovernmental	1,357,429	159,539	360,418
Licenses and permits	22,496	-	11,064
Charges for service	483,455	-	625
Use of money and property	321,859	1,203	-
Miscellaneous	243,388	151	1,696
Total revenues	6,285,979	525,115	2,801,827
Expenditures:			
Operating:			
Public safety and legal services	1,775,259	-	458,094
Physical health and social services	1,291,648	-	-
Mental health	-	640,392	-
County environment and education	448,913	-	313,182
Roads and transportation	-	-	115,000
Governmental services to residents	527,065	-	7,869
Administration	1,830,127	-	-
Non-program	772	-	-
Debt service	-	-	-
Capital projects	513,185	-	-
Total expenditures	6,386,969	640,392	894,145
Excess (deficiency) of revenues over (under) expenditures	(100,990)	(115,277)	1,907,682
Other financing sources (uses):			
Transfers in	31,165	-	-
Transfers out	(205,500)	-	(1,755,000)
General obligation bonds issued	-	-	-
Premium on bonds issued	-	-	-
Total other financing sources (uses)	(174,335)	-	(1,755,000)
Change in fund balances	(275,325)	(115,277)	152,682
Fund balances beginning of year	3,851,052	199,887	1,133,012
Fund balances end of year	$ 3,575,727	84,610	1,285,694

See notes to financial statements.

Revenue			
Secondary Roads	Capital Projects	Nonmajor	Total
-	-	252,950	6,644,511
-	-	453,256	453,256
226,210	-	-	452,420
-	-	-	31,827
4,527,718	-	63,170	6,468,274
11,125	-	-	44,685
10,459	-	3,009	497,548
-	13,094	13,171	349,327
142,985	-	88,552	476,772
4,918,497	13,094	874,108	15,418,620
-	-	-	2,233,353
-	-	-	1,291,648
-	-	-	640,392
-	-	35,590	797,685
5,850,948	-	-	5,965,948
-	-	1,059	535,993
-	-	-	1,830,127
-	-	-	772
-	-	705,109	705,109
1,013,602	736,588	-	2,263,375
6,864,550	736,588	741,758	16,264,402
(1,946,053)	(723,494)	132,350	(845,782)
2,002,900	-	506,557	2,540,622
-	(102,900)	(477,222)	(2,540,622)
-	3,000,000	-	3,000,000
-	100,134	-	100,134
2,002,900	2,997,234	29,335	3,100,134
56,847	2,273,740	161,685	2,254,352
2,679,609	309	577,790	8,441,659
2,736,456	2,274,049	739,475	10,696,011

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, 2018

Change in fund balances - Total governmental funds (page 25)		$ 2,254,352
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	$ 2,469,666	
Capital assets contributed by the Iowa Department of Transportation	2,203,154	
Depreciation expense	(2,477,665)	2,195,155
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.		46,000
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	1,237	
Other	1,050	2,287
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:		
Issued	(3,000,000)	
Repaid	495,000	(2,505,000)
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.		459,112
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	(10,274)	
OPEB expense	(10,307)	
Pension expense	(583,497)	
Interest on long-term debt	(5,296)	(609,374)
Change in net position of governmental activities (page 19)		$ 1,842,532

See notes to financial statements.

Butler County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

Assets	
Cash and pooled investments:	
County Treasurer	$ 6,412,591
Other County officials	110,370
Receivables:	
Property tax:	
Delinquent	27,007
Succeeding year	16,272,000
Accounts	34,257
Special assessments	64,044
Due from other governments	202,231
Total assets	23,122,500
Liabilities	
Accounts payable	1,883,693
Salaries and benefits payable	10,270
Due to other governments	21,124,160
Trusts payable	98,861
Compensated absences	5,516
Total liabilities	23,122,500
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 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.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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 Balance/Net Position

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 and tax increment financing receivables have been recorded, the related revenue is reported as a deferred inflow of resources 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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 if purchased or constructed. 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. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Intangibles - Other	$ 100,000
Intangibles - Right-of-way	50,000
Infrastructure	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

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

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 and contributions from the County after the measurement date but before the end of the County's reporting period.

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, 2018. 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.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Butler County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB 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 in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

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 they are levied, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance – 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, 2018, disbursements in the road clearing department exceeded the amount appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2018 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 $248,313 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.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Logistics Tax Increment Financing	$ 31,165
Special Revenue:		
Conservation Trust	General	60,500
Secondary Roads	General	145,000
	Special Revenue:	
	Rural Services	1,755,000
	Capital Projects	102,900
		2,002,900
Debt Service	Special Revenue:	
	Logistics Tax Increment Financing	446,057
Total		$ 2,540,622

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, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,224,089	50,146	-	1,274,235
Construction in progress, road network	2,978,499	3,738,329	5,374,792	1,342,036
Total capital assets not being depreciated	4,202,588	3,788,475	5,374,792	2,616,271
Capital assets being depreciated:				
Buildings	3,528,021	-	-	3,528,021
Improvements other than buildings	75,820	-	-	75,820
Equipment and vehicles	11,295,553	930,345	565,446	11,660,452
Infrastructure, road network	34,656,702	5,374,792	-	40,031,494
Infrastructure, other	1,768,507	-	-	1,768,507
Total capital assets being depreciated	51,324,603	6,305,137	565,446	57,064,294
Less accumulated depreciation for:				
Buildings	2,009,291	39,062	-	2,048,353
Improvements other than buildings	18,484	3,033	-	21,517
Equipment and vehicles	9,012,211	700,177	565,446	9,146,942
Infrastructure, road network	10,351,319	1,699,266	-	12,050,585
Infrastructure, other	353,482	36,127	-	389,609
Total accumulated depreciation	21,744,787	2,477,665	565,446	23,657,006
Total capital assets being depreciated, net	29,579,816	3,827,472	-	33,407,288
Governmental activities capital assets, net	$ 33,782,404	7,615,947	5,374,792	36,023,559

Depreciation expense was charged to the following functions:	
Governmental activities:	
Public safety and legal services	$ 60,834
Physical health and social services	2,787
County environment and education	71,591
Roads and transportation	2,242,541
Governmental services to residents	16,635
Administration	83,277
Total depreciation expense - governmental activities	$ 2,477,665

(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, 2018 is as follows:

Fund	Description	Amount
General	Services	$ 66,635
Special Revenue:		
Rural Services		1,522
Secondary Roads	Services	296
		1,818
Total for governmental funds		$ 68,453
Agency:		
County Agricultural Extension	Collections	$ 200,158
County Assessor		591,101
Schools		10,330,587
Community Colleges		781,397
Corporations		4,404,660
Townships		272,943
City Special Assessments		64,606
Auto License and Use Tax		427,397
County Social Services		3,456,118
Empowerment Board		94,105
All other		501,088
Total for agency funds		$ 21,124,160

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	General Obligation Urban Renewal Bonds	General Obligation Bonds	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	$ 2,830,000	265,000	379,615	3,645,741	227,076	7,347,432
Increases	3,000,000	-	391,261	131,186	25,807	3,548,254
Decreases	230,000	265,000	380,987	-	24,144	900,131
Balance end of year	$ 5,600,000	-	389,889	3,776,927	228,739	9,995,555
Due within one year	$ 425,000	-	318,426	-	-	743,426

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.

On November 21, 2017, the County issued $3,000,000 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 reconstruction and improvement of bridges and the construction, reconstruction, repairing and widening of secondary roads and other highway improvements. These bonds are payable from a continuing annual levy of property tax against all taxable property of the County.

Annual debt service requirements to maturity for the general obligation urban renewal bonds are as follows:

Year Ending June 30,	Issued Aug 31, 2010 Interest Rates	Principal	Interest	Issued Sept 4, 2013 Interest Rates	Principal	Interest
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	3.25	170,000	36,460
2023	3.30	180,000	19,055	3.45	190,000	30,935
2024-2028	3.40-3.50	380,000	19,940	3.60-4.00	640,000	50,760
Total		$ 1,210,000	164,815		$ 1,390,000	253,035

Year Ending June 30,	Issued Nov 21, 2017 Interest Rates	Principal	Interest
2019	2.50%	$ 185,000	75,000
2020	2.50	190,000	70,375
2021	2.50	255,000	65,625
2022	2.50	260,000	59,250
2023	2.50	265,000	52,750
2024-2028	2.50	1,845,000	147,875
Total		$ 3,000,000	470,875

Year Ending June 30,	Total Principal	Interest	Total
2019	$ 425,000	161,115	586,115
2020	500,000	149,910	649,910
2021	575,000	136,180	711,180
2022	600,000	120,205	720,205
2023	635,000	102,740	737,740
2024-2028	2,865,000	218,575	3,083,575
Total	$ 5,600,000	888,725	6,488,725

During the year ended June 30, 2018, the County issued $3,000,000 of general obligation urban renewal bonds and retired $230,000 of general obligation urban renewal bonds including interest of $92,115.

(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, 2018 was $700,000. No payments were made during the year ended June 30, 2018.

(8) Economic Development Revolving Loan Fund

The County has four economic development loans receivable totaling $5,865 at June 30, 2018 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 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 2018, 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 9.38% of covered payroll for a total rate of 18.76%. 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, 2018 totaled $459,112.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the County reported a liability of $3,776,927 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the County's proportion was 0.056700%, which was a decrease of 0.00123% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of $583,497. At June 30, 2018, 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	$ 50,128	52,436
Changes of assumptions	793,772	8,424
Net difference between projected and actual earnings on IPERS' investments	-	50,489
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	66,899	69,973
County contributions subsequent to the measurement date	459,112	-
Total	$ 1,369,911	181,322

$459,112 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, 2019. 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
2019	$ 94,467
2020	354,068
2021	215,392
2022	13,854
2023	51,696
Total	$ 729,477

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	$ 6,807,701	3,776,927	1,233,075

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, 2018.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Butler County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	86
Total	90

Total OPEB Liability – The County's total OPEB liability of $228,739 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. The total OPEB liability was rolled forward from the July 1, 2017 valuation date to the June 30, 2018 measurement date.

Actuarial Assumptions – The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Discount rate (effective June 30, 2018)	3.72% compounded annually
Healthcare cost trend rate (effective June 30, 2018)	6.00% per year

Discount Rate – The discount rate used to measure the total OPEB liability was 3.72% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	$ 227,076
Changes for the year:	
Service cost	16,958
Interest	8,849
Differences between expected and actual experiences	(9,833)
Benefit payments	(14,311)
Net changes	1,663
Total OPEB liability end of year	$ 228,739

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.72%) or 1% higher (4.72%) than the current discount rate.

	1% Decrease (2.72%)	Discount Rate (3.72%)	1% Increase (4.72%)
Total OPEB liability	$ 247,571	228,739	211,643

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rates.

		1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	$	203,907	228,739	258,000

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of $24,618. At June 30, 2018, the County reported deferred inflows of resources related to OPEB from the following resources:

	Deferred Inflows of Resources
Differences between expected and actual experience	$ (8,644)

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,		Amount
2019	$	1,189
2020		1,189
2021		1,189
2022		1,189
2023		1,189
Thereafter		2,699
	$	8,644

(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 775 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, 2018 were $151,107.

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, 2018, no liability has been recorded in the County's financial statements. As of June 30, 2018, 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, 2018 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	$ 68,533
City of Shell Rock	Urban renewal and economic development projects	$ 24,668

(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, 2018 as follows:

Revenues:		
Property and other county tax		$ 364,222
Intergovernmental revenues:		
State tax credits and replacements	$ 30,426	
Payments from regional fiscal agent	129,113	159,539
Use of money and property		1,203
Miscellaneous		151
Total revenues		525,115
Expenditures:		
Services to persons with:		
Mental illness		100,532
General administration:		
Distribution to regional fiscal agent		511,276
County provided case management		28,584
Total expenditures		640,392
Deficiency of revenues under expenditures		(115,277)
Fund balance beginning of year		199,887
Fund balance end of year		$ 84,610

(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, 2018 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	$ 58,531	-	58,531
Quality improvement	-	60,120	60,120
Allocation for administration	3,081	13,678	16,759
Other grant programs	-	382,120	382,120
Total state grants	61,612	455,918	517,530
Interest on investments	216	1,588	1,804
Total revenues	61,828	457,506	519,334
Expenditures:			
Program services:			
Early childhood	58,670	-	58,670
Quality improvement	-	59,825	59,825
Other program services	-	377,967	377,967
Total program services	58,670	437,792	496,462
Administration	3,052	9,717	12,769
Total expenditures	61,722	447,509	509,231
Change in fund balance	106	9,997	10,103
Fund balance beginning of year	2,445	71,450	73,895
Fund balance end of year	$ 2,551	81,447	83,998

(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) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	Governmental Activities
Net position June 30, 2017, as previously reported	$ 35,799,676
Net OPEB obligation measured under previous standards	574,200
Total OPEB liability at June 30, 2017	(227,076)
Net position July 1, 2017, as restated	$ 36,146,800

Butler County

Required Supplementary Information

Butler County

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

Required Supplementary Information

Year ended June 30, 2018

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Receipts:				
Property and other county tax	$ 7,588,871	7,532,041	7,647,141	(58,270)
Interest and penalty on property tax	31,827	41,000	41,000	(9,173)
Intergovernmental	6,215,579	6,476,888	6,749,878	(534,299)
Licenses and permits	45,550	36,400	36,400	9,150
Charges for service	510,909	473,355	473,355	37,554
Use of money and property	343,060	295,562	295,562	47,498
Miscellaneous	396,248	149,160	149,160	247,088
Total receipts	15,132,044	15,004,406	15,392,496	(260,452)
Disbursements:				
Public safety and legal services	2,231,490	2,415,781	2,415,781	184,291
Physical health and social services	1,283,844	1,385,187	1,477,377	193,533
Mental health	640,388	634,402	640,402	14
County environment and education	795,818	975,747	975,747	179,929
Roads and transportation	5,885,104	5,900,000	5,900,000	14,896
Governmental services to residents	533,498	604,293	604,293	70,795
Administration	1,821,347	2,042,347	2,045,347	224,000
Non-program	772	2,500	2,500	1,728
Debt service	705,109	592,855	707,955	2,846
Capital projects	2,204,699	2,204,283	3,304,783	1,100,084
Total disbursements	16,102,069	16,757,395	18,074,185	1,972,116
Excess (deficiency) of receipts over (under) disbursements	(970,025)	(1,752,989)	(2,681,689)	1,711,664
Other financing sources, net	3,102,799	-	750,000	2,352,799
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,132,774	(1,752,989)	(1,931,689)	4,064,463
Balance beginning of year	7,334,880	5,762,595	5,762,595	1,572,285
Balance end of year	$ 9,467,654	4,009,606	3,830,906	5,636,748

See accompanying independent auditor's report.

Butler County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 15,132,044	286,576	15,418,620
Expenditures	16,102,069	162,333	16,264,402
Net	(970,025)	124,243	(845,782)
Other financing sources, net	3,102,799	(2,665)	3,100,134
Beginning fund balances	7,334,880	1,106,779	8,441,659
Ending fund balances	$ 9,467,654	1,228,357	10,696,011

See accompanying independent auditor's report.

Butler County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2018

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 ten 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 $1,316,790. 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 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the road clearing department.

Butler County

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

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

Required Supplementary Information

	2018	2017	2016	2015
County's proportion of the net pension liability	0.056700%	0.057930%	0.053469%	0.051171%
County's proportionate share of the net pension liability	$ 3,777	3,646	2,642	2,029
County's covered payroll	$ 4,964	4,924	4,619	4,527
County's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	74.05%	57.20%	44.82%
IPERS' net position as a percentage of the total pension liability	82.21%	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

		2018	2017	2016	2015
Statutorily required contribution	$	459	451	450	422
Contributions in relation to the statutorily required contribution		(459)	(451)	(450)	(422)
Contribution deficiency (excess)	$	-	-	-	-
County's covered payroll	$	5,069	4,964	4,924	4,619
Contributions as a percentage of covered payroll		9.06%	9.09%	9.14%	9.14%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
415	390	363	319	297	275
(415)	(390)	(363)	(319)	(297)	(275)
-	-	-	-	-	-
4,527	4,339	4,275	4,250	4,231	4,096
9.17%	8.99%	8.49%	7.51%	7.02%	6.71%

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.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Current Year
Required Supplementary Information

	2018
Service cost	$ 16,958
Interest cost	8,849
Difference between expected and actual experiences	(9,833)
Benefit payments	(14,311)
Net change in total OPEB liability	1,663
Total OPEB liability beginning of year, as restated	227,076
Total OPEB liability end of year	$ 228,739
Covered-employee payroll	$ 5,171,127
Total OPEB liability as a percentage of covered-employee payroll	4.4%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

There were no changes in assumptions.

Butler County

Supplementary Information

Butler County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

				Special
	Economic Development Revolving Loan	Seized and Forfeited Property	Sesqui-centennial Memorial	County Recorder's Records Management
Assets				
Cash and pooled investments	$ 34,129	27,402	762	2,693
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year property tax	-	-	-	-
Succeeding year tax increment financing	-	-	-	-
Accounts	-	-	-	-
Economic development loans	5,865	-	-	-
Total assets	$ 39,994	27,402	762	2,693
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	5,865	-	-	-
Total deferred inflows of resources	5,865	-	-	-
Fund balances:				
Restricted for:				
Resource enhancement and protection	-	-	-	-
Conservation trust	-	-	-	-
Debt service	-	-	-	-
Other purposes	34,129	27,402	762	2,693
Total fund balances	34,129	27,402	762	2,693
Total liabilities defered inflows of resources and fund balances	$ 39,994	27,402	762	2,693

See accompanying independent auditor's report.

Revenue						
DARE Program	Canine	Conservation Trust	Resource Enhancement and Protection	Logistics Tax Increment Financing	Debt Service	Total
1,205	2,008	444,388	101,944	85,733	38,940	739,204
-	-	-	-	-	322	322
-	-	-	-	-	238,000	238,000
-	-	-	-	478,000	-	478,000
-	-	1,049	-	-	-	1,049
-	-	-	-	-	-	5,865
1,205	2,008	445,437	101,944	563,733	277,262	1,462,440
-	-	33	-	-	-	33
-	-	-	745	-	-	745
-	-	33	745	-	-	778
-	-	-	-	-	238,000	238,000
-	-	-	-	478,000	-	478,000
-	-	-	-	-	322	6,187
-	-	-	-	478,000	238,322	722,187
-	-	-	101,199	-	-	101,199
-	-	445,404	-	-	-	445,404
-	-	-	-	85,733	38,940	124,673
1,205	2,008	-	-	-	-	68,199
1,205	2,008	445,404	101,199	85,733	38,940	739,475
1,205	2,008	445,437	101,944	563,733	277,262	1,462,440

Butler County

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

Year ended June 30, 2018

	Economic Development Revolving Loan	Seized and Forfeited Property	Sesqui-centennial Memorial	Special County Recorder's Records Management
Revenues:				
Property and other county tax	$ -	-	-	-
Tax increment financing	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	3,009
Use of money and property	6,130	-	6	15
Miscellaneous	-	18,265	-	-
Total revenues	6,130	18,265	6	3,024
Expenditures:				
Operating:				
County environment and education	-	-	-	-
Governmental services to residents	-	-	-	1,059
Debt service	-	-	-	-
Total expenditures	-	-	-	1,059
Excess (deficiency) of revenues over (under) expenditures	6,130	18,265	6	1,965
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balances	6,130	18,265	6	1,965
Fund balances beginning of year	27,999	9,137	756	728
Fund balances end of year	$ 34,129	27,402	762	2,693

See accompanying independent auditor's report.

Revenue						
DARE Program	Canine	Conservation Trust	Resource Enhancement and Protection	Logistics Tax Increment Financing	Debt Service	Total
-	-	-	-	-	252,950	252,950
-	-	-	-	453,256	-	453,256
-	-	-	10,862	31,021	21,287	63,170
-	-	-	-	-	-	3,009
-	-	3,176	881	1,866	1,097	13,171
-	-	70,287	-	-	-	88,552
-	-	73,463	11,743	486,143	275,334	874,108
-	-	21,181	14,409	-	-	35,590
-	-	-	-	-	-	1,059
-	-	-	-	-	705,109	705,109
-	-	21,181	14,409	-	705,109	741,758
-	-	52,282	(2,666)	486,143	(429,775)	132,350
-	-	60,500	-	-	446,057	506,557
-	-	-	-	(477,222)	-	(477,222)
-	-	60,500	-	(477,222)	446,057	29,335
-	-	112,782	(2,666)	8,921	16,282	161,685
1,205	2,008	332,622	103,865	76,812	22,658	577,790
1,205	2,008	445,404	101,199	85,733	38,940	739,475

Butler County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	$ -	897	212,072	48,319	3,507
Other County officials	110,370	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	261	600	15,268	890
Succeeding year	-	199,000	393,000	10,267,000	777,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	$ 110,370	200,158	605,672	10,330,587	781,397
Liabilities					
Accounts payable	$ -	-	-	-	-
Salaries and benefits payable	-	-	9,055	-	-
Due to other governments	11,509	200,158	591,101	10,330,587	781,397
Trusts payable	98,861	-	-	-	-
Compensated absences	-	-	5,516	-	-
Total liabilities	$ 110,370	200,158	605,672	10,330,587	781,397

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	County Social Services	Empowerment Board	Other	Total
32,778	846	562	427,397	5,204,759	118,796	362,658	6,412,591
-	-	-	-	-	-	-	110,370
9,882	97	-	-	-	-	9	27,007
4,362,000	272,000	-	-	-	-	2,000	16,272,000
-	-	-	-	1,200	-	33,057	34,257
-	-	64,044	-	-	-	-	64,044
-	-	-	-	92,944	15,403	93,884	202,231
4,404,660	272,943	64,606	427,397	5,298,903	134,199	491,608	23,122,500
-	-	-	-	1,842,785	40,094	814	1,883,693
-	-	-	-	-	-	1,215	10,270
4,404,660	272,943	64,606	427,397	3,456,118	94,105	489,579	21,124,160
-	-	-	-	-	-	-	98,861
-	-	-	-	-	-	-	5,516
4,404,660	272,943	64,606	427,397	5,298,903	134,199	491,608	23,122,500

Butler County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	$ 113,141	191,480	559,753	10,312,327	748,995
Additions:					
Property and other county tax	-	205,273	406,450	10,560,652	803,176
911 surcharge	-	-	-	-	-
State tax credits	-	16,309	37,458	879,394	63,255
Office fees and collections	419,408	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	764,457	-	-	-	-
Miscellaneous	-	-	420	-	-
Total additions	1,183,865	221,582	444,328	11,440,046	866,431
Deductions:					
Agency remittances:					
To other funds	113,995	-	-	-	-
To other governments	198,784	212,904	398,409	11,421,786	834,029
Trusts paid out	873,857	-	-	-	-
Total deductions	1,186,636	212,904	398,409	11,421,786	834,029
Balances end of year	$ 110,370	200,158	605,672	10,330,587	781,397

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	County Social Services	Empowerment Board	Other	Total
4,491,048	260,356	56,071	417,136	6,329,031	154,994	275,017	23,909,349
4,061,413	289,289	-	-	-	-	2,528	16,328,781
-	-	-	-	-	-	239,585	239,585
544,326	18,227	-	-	-	-	211	1,559,180
-	-	-	-	-	-	3,012	422,420
-	-	-	5,200,896	-	-	198	5,201,094
-	-	39,129	-	-	-	988	40,117
-	-	-	-	-	-	-	764,457
-	-	-	-	20,995,248	519,334	233,091	21,748,093
4,605,739	307,516	39,129	5,200,896	20,995,248	519,334	479,613	46,303,727
-	-	-	185,770	-	-	-	299,765
4,692,127	294,929	30,594	5,004,865	22,025,376	540,129	263,022	45,916,954
-	-	-	-	-	-	-	873,857
4,692,127	294,929	30,594	5,190,635	22,025,376	540,129	263,022	47,090,576
4,404,660	272,943	64,606	427,397	5,298,903	134,199	491,608	23,122,500

Butler County

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

For the Last Ten Years

	2018	2017	2016	Modified 2015*
Revenues:				
Property and other county tax	$ 7,097,767	6,776,810	6,689,100	6,422,005
Local option sales tax	452,420	469,745	417,764	517,570
Interest and penalty on property tax	31,827	34,389	37,623	44,469
Intergovernmental	6,468,274	7,126,988	6,196,378	29,390,297
Licenses and permits	44,685	48,168	37,306	37,672
Charges for service	497,548	511,258	487,784	462,377
Use of money and property	349,327	310,778	351,087	386,431
Miscellaneous	476,772	299,251	289,515	387,909
Total	$ 15,418,620	15,577,387	14,506,557	37,648,730
Expenditures:				
Operating:				
Public safety and legal services	$ 2,233,353	2,177,752	2,144,575	2,098,923
Physical health and social services	1,291,648	1,331,837	1,347,304	1,391,917
Mental health	640,392	558,741	491,015	26,344,911
County environment and education	797,685	861,562	1,045,147	726,612
Roads and transportation	5,965,948	5,409,166	5,021,094	4,961,583
Governmental services to residents	535,993	582,905	557,884	650,844
Administration	1,830,127	1,638,612	1,542,778	1,677,803
Non-program	772	1,396	-	-
Debt service	705,109	590,740	619,495	544,341
Capital projects	2,263,375	1,677,951	1,982,515	1,226,381
Total	$ 16,264,402	14,830,662	14,751,807	39,623,315

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

See accompanying independent auditor's report.

Accrual Basis					
2014*	2013*	2012*	2011*	2010	2009
6,040,620	5,824,270	5,697,329	5,114,544	4,916,248	4,799,419
435,912	475,028	410,548	462,876	442,994	480,410
49,954	45,381	41,774	48,872	47,053	36,458
28,126,789	24,263,804	37,301,942	27,394,705	5,797,705	7,530,529
38,434	22,980	19,470	15,030	15,565	15,653
520,783	527,185	649,824	478,693	481,389	453,012
410,827	411,239	410,976	494,374	413,591	383,842
708,110	467,648	280,161	291,830	241,445	301,275
36,331,429	32,037,535	44,812,024	34,300,924	12,355,990	14,000,598
2,025,585	1,974,728	1,985,563	1,811,092	1,762,804	1,666,888
1,264,472	1,232,634	1,321,121	1,440,316	1,423,468	1,329,711
21,001,701	20,908,988	31,106,457	24,384,286	1,305,470	1,294,403
726,629	692,881	739,409	648,780	671,898	686,139
4,812,337	4,582,866	6,036,761	5,042,205	4,451,830	5,245,618
505,399	472,805	471,289	428,521	446,943	414,465
1,550,620	1,528,108	1,476,114	1,501,098	1,351,304	1,210,085
-	36,118	1,184	17,785	39,702	200,000
534,736	493,776	238,647	77,372	38,942	38,941
1,929,672	522,641	1,975,248	2,277,336	643,210	2,019,732
34,351,151	32,445,545	45,351,793	37,628,791	12,135,571	14,105,982

Butler County

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Rob Sand
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, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 12, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2018 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.

ROB SAND
Auditor of State

March 12, 2019

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 Sheriff'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 utilized to provide additional control through review of financial transactions, reconciliations and reports.

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

Conclusion – Response accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – Material amounts of receivables were not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the County's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the error in the normal course of performing their assigned functions. As a result, a material adjustment to the County's financial statements was necessary.

Recommendation – The County should establish procedures to ensure all receivables are identified and properly reported in the County's financial statements.

Response – The County will work with all Department Heads to ensure all reports are properly reported.

Conclusion – Response accepted.

(C) Timely Deposits

Criteria – An effective internal control system provides for internal controls related to ensuring the timely deposit of all incoming cash and checks.

Condition – Forty-three receipts were identified which were not deposited timely (i.e., weekly).

Cause – Procedures have not been designed and implemented to ensure all incoming cash and checks are deposited timely.

Effect – This condition could result in unrecorded or misstated revenues and receivables.

Recommendation – Procedures should be established to ensure all receipts are deposited timely.

Response – The County must have required paperwork from each Department to ensure receipts are deposited timely. We will work with the Department's to ensure all paperwork is received and deposits made timely.

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, 2018 did not exceed the amounts budgeted. Although the Board of Supervisors acted to increase certain department appropriations by amendment, disbursements exceeded the amount appropriated in the road clearing department.

Recommendation – Chapter 331,434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The County will take steps to manage appropriations in a more timely manner.

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, 2018 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.

(12) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides for available incremental property tax in subsequent fiscal years without further certification by the County until the amount of certified indebtedness is paid.

During the year ended June 30, 2018, the General Fund advanced the Special Revenue, Logistics Tax Increment Financing (TIF) Fund $31,165 which was repaid by the TIF Fund during the year. However, the County did not certify the advance as TIF debt to provide for the County Auditor to divide the property tax to repay the debt from incremental property tax.

Recommendation – The County should certify the advance from the General Fund to the TIF Fund to qualify the advance for reimbursement from incremental property tax.

Response – The County will certify the TIF advance from the General Fund.

Conclusion – Response accepted.

Staff

This audit was performed by:

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