



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

FOR RELEASE

May 4, 2020

Contact: Marlys Gaston  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The County's revenues totaled \$16,656,329 for the year ended June 30, 2019, a 6.3% decrease from the prior year. Expenses for County operations for the year ended June 30, 2019 totaled \$18,481,314, a 16.0% increase over the prior year. The significant increase in expenses is due primarily to an increase in county environment and education expenses for economic development projects and land improvement projects under the capitalization threshold.

**AUDIT FINDINGS:**

Sand reported five findings related to the receipt and expenditure of taxpayer funds. They are found on pages 70 through 74 of this report. The findings address issues such as lack of segregation of duties in the County Sheriff's Office, material amounts of inventory and infrastructure additions not properly recorded in the County's financial statements and untimely deposits of receipts. Sand provided the County with recommendations to address each of these findings.

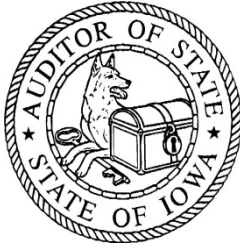
Two of the findings discussed above are repeated from the prior year. The County Board of Supervisors and other elected officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

###

**BUTLER COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2019**

**Butler County**



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Telephone (515) 281-5834 Facsimile (515) 281-6518

March 12, 2020

Officials of Butler County  
Allison, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Butler County for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Butler County throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand  
Auditor of State

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**Butler County**

**Officials**

**(Before January 2019)**

| <u>Name</u>            | <u>Title</u>         | <u>Term Expires</u> |
|------------------------|----------------------|---------------------|
| 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            |

**(After January 2019)**

| <u>Name</u>            | <u>Title</u>         | <u>Term Expires</u> |
|------------------------|----------------------|---------------------|
| Greg Barnett           | Board of Supervisors | Jan 2021            |
| Robert (Rusty) Eddy    | Board of Supervisors | Jan 2023            |
| Tom Heidenwirth        | Board of Supervisors | Jan 2023            |
| Lizbeth (Liz) Williams | County Auditor       | Jan 2021            |
| Vicki Schoneman        | County Treasurer     | Jan 2023            |
| Janice Jacobs          | County Recorder      | Jan 2023            |
| Jason Johnson          | County Sheriff       | Jan 2021            |
| Gregory M. Lievens     | County Attorney      | Jan 2023            |
| Michele Shultz         | County Assessor      | Jan 2022            |

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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, 2019, 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, 2019, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 48 through 55 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 who 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.

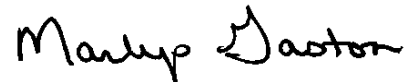
### *Supplementary Information*

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, 2018 (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, 2020 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.



Marlys K. Gaston, CPA  
Deputy Auditor of State

March 12, 2020

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2019. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2019 FINANCIAL HIGHLIGHTS**

- Governmental activities revenues decreased \$1,113,866, or 6.3%, from fiscal year 2018 to fiscal year 2019. Capital grants, contributions and restricted interest decreased \$2,201,387, or 75.4%, while operating grants, contributions and restricted interest increased \$915,989, or 18.7%.
- Governmental activities expenses increased \$2,553,651, or 16.0%, from fiscal year 2018 to fiscal year 2019. County environment and education expenses increased \$2,317,833 and roads and transportation expenses increased \$280,421.
- The County's net position decreased 4.8%, or \$1,824,985, from the June 30, 2018 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.

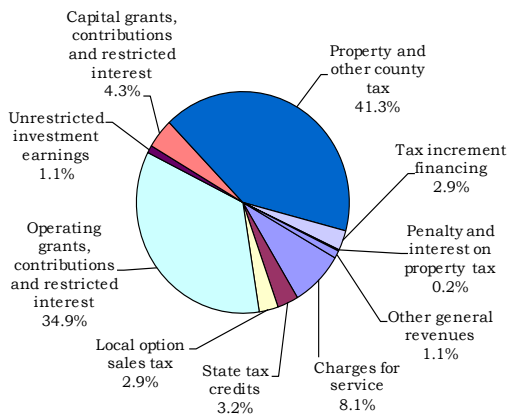
| Net Position of Governmental Activities |               |            |
|---|---------------|------------|
|   | June 30,      |            |
|   | 2019          | 2018       |
| Current and other assets                | \$ 16,992,798 | 18,611,063 |
| Capital assets                          | 35,374,877    | 36,023,559 |
| Total assets                            | 52,367,675    | 54,634,622 |
| Deferred outflows                       | 1,218,862     | 1,369,911  |
| Long-term liabilities                   | 9,199,872     | 9,995,555  |
| Other liabilities                       | 554,768       | 746,680    |
| Total liabilities                       | 9,754,640     | 10,742,235 |
| Deferred inflows of resources           | 7,667,550     | 7,272,966  |
| Net position:                           |               |            |
| Net investment in capital assets        | 32,405,716    | 32,697,608 |
| Restricted                              | 5,377,680     | 5,387,752  |
| Unrestricted                            | (1,619,049)   | (96,028)   |
| Total net position                      | \$ 36,164,347 | 37,989,332 |

Net position of Butler County's governmental activities decreased 4.8% (approximately \$36.2 million compared to approximately \$38.0 million.) 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. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. 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 – decreased from a deficit of \$96,028 at June 30, 2018 to a deficit of \$1,619,049 at the end of this year.

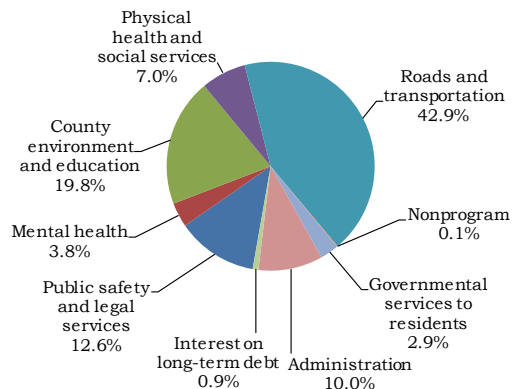
**Changes in Net Position of Governmental Activities**

|   | Year ended June 30,  |                   |
|---|----------------------|-------------------|
|   | 2019                 | 2018              |
| <b>Revenues:</b>  |                      |                   |
| <b>Program revenues:</b>                                |                      |                   |
| Charges for service                                     | \$ 1,351,244         | 1,306,742         |
| Operating grants, contributions and restricted interest | 5,813,069            | 4,897,080         |
| Capital grants, contributions and restricted interest   | 718,913              | 2,920,300         |
| <b>General revenues:</b>                                |                      |                   |
| Property and other county tax                           | 6,873,643            | 6,645,748         |
| Tax increment financing                                 | 489,252              | 453,256           |
| Penalty and interest on property tax                    | 30,456               | 38,741            |
| State tax credits                                       | 531,157              | 547,590           |
| Local option sales tax                                  | 478,156              | 452,420           |
| Unrestricted investment earnings                        | 181,072              | 187,267           |
| Other general revenues                                  | 189,367              | 321,051           |
| <b>Total revenues</b>                                   | <b>16,656,329</b>    | <b>17,770,195</b> |
| <b>Program expenses:</b>                                |                      |                   |
| Public safety and legal services                        | 2,324,237            | 2,290,444         |
| Physical health and social services                     | 1,292,705            | 1,313,801         |
| Mental health   | 693,396              | 642,874           |
| County environment and education                        | 3,662,323            | 1,344,490         |
| Roads and transportation                                | 7,944,930            | 7,664,509         |
| Governmental services to residents                      | 536,923              | 552,618           |
| Administration  | 1,849,668            | 1,902,750         |
| Nonprogram  | 15,450               | 772               |
| Interest on long-term debt                              | 161,682              | 215,405           |
| <b>Total expenses</b>                                   | <b>18,481,314</b>    | <b>15,927,663</b> |
| <b>Change in net position</b>                           | <b>(1,824,985)</b>   | <b>1,842,532</b>  |
| <b>Net position beginning of year</b>                   | <b>37,989,332</b>    | <b>36,146,800</b> |
| <b>Net position end of year</b>                         | <b>\$ 36,164,347</b> | <b>37,989,332</b> |

**Revenues by Source**



**Expenses by Program**



Revenues for governmental activities decreased \$1,113,866 from the prior year. Capital grants, contributions and restricted interest decreased \$2,201,387 due to a decrease of approximately \$2,015,000 in farm to market roadway projects contributed by the Iowa Department of Transportation.

Total expenses increased \$2,553,651, or 16%, over the prior year. This was primarily related to the economic development projects and land improvement projects under the capitalization threshold coded to the county environment and education function.

## **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 2019 with a fund balance of \$3,189,842, a \$385,885 decrease from the ending balance for fiscal year 2018. Revenues increased \$138,371, or 2.2%, and expenditures increased \$1,714,551, or 26.8%. The increase in revenues was due primarily to an increase in intergovernmental revenues of approximately \$130,000. Expenditures increased due, in part, to the payment of \$1,500,000 to the Butler Grundy Development Alliance to complete economic development projects in the County's urban renewal area.
- The Special Revenue, Mental Health Fund ended fiscal year 2019 with a fund balance of \$46,338 compared to fiscal year 2018 which ended with a balance of \$84,610. Revenues increased \$128,913, or 24.5%. Property tax revenues increased approximately \$122,000 due to an increase in the mental health property tax levy rate. Expenditures increased \$51,908, or 8.1%, due primarily to an increase of \$53,714 in the distribution to County Social Services.
- The Special Revenue, Rural Services Fund ended fiscal year 2019 with a fund balance of \$1,272,203, a decrease of \$13,491 from the ending balance for fiscal year 2018. Revenues increased \$50,434, or 1.8%, over the prior year and expenditures decreased \$19,869, or 2.2%, from the prior year.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2019 with a fund balance of \$2,451,570. This is a decrease of \$284,886 from the ending balance for fiscal year 2018. Revenues decreased \$250,294, or 5.1%, due in part to a decrease in revenues of approximately \$415,000 for bridge replacement projects and an increase in road use tax revenues of approximately \$212,000. Expenditures increased \$225,015, or 3.3%, due in part to equipment purchases during fiscal year 2019.
- The Capital Projects Fund ended fiscal year 2019 with a fund balance of \$798,339, a decrease of \$1,475,710, from the ending balance for fiscal year 2018. During fiscal year 2019 the County transferred \$1,500,000 to the General Fund for economic development projects in the urban renewal area.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Butler County amended its budget one time. The amendment was made in May 2019 and resulted in an increase in budgeted disbursements of \$1,980,000, primarily for economic development and roads and transportation capital projects.

The County's receipts were \$282,460 more than budgeted, a variance of 1.8%. The most significant variance resulted from the County collecting more miscellaneous receipts than anticipated.

Total disbursements were \$2,497,065 less than the amended budget. The largest variance resulted from capital projects and the administration function disbursements being \$1,436,473 and \$321,117, respectively, less than budgeted. This was primarily due to a delay in road construction and the delay in IT projects.

The County did not exceed the budgeted amounts in any disbursement functions for the year ended June 30, 2019.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2019, Butler County had approximately \$35.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$649 thousand from last year.

| Capital Assets of Governmental Activities at Year End               |                      |                     |
|---|----------------------|---------------------|
|   | June 30,             |                     |
|   | 2019                 | 2018                |
| Land  | \$ 1,274,235         | 1,274,235           |
| Construction in progress  | 222,400              | 1,342,036           |
| Buildings   | 1,442,204            | 1,479,668           |
| Improvements other than buildings                                   | 51,271               | 54,303              |
| Equipment and vehicles  | 2,875,524            | 2,513,510           |
| Infrastructure  | 29,509,243           | 29,359,807          |
| Total   | <u>\$ 35,374,877</u> | <u>36,023,559</u>   |
| This year's major additions included:                               |                      |                     |
| Infrastructure contributed by the Iowa Department of Transportation | \$                   | 188,457             |
| Road network construction   |                      | 656,821             |
| Purchase of vehicle for the Sheriff's Office                        |                      | 30,543              |
| Purchase of equipment for the Secondary Roads Department            |                      | 917,084             |
| Purchase of equipment for the Conservation Department               |                      | 10,334              |
| Purchase of data processing equipment                               |                      | 48,510              |
| Total   |                      | <u>\$ 1,851,749</u> |

The County had depreciation expense of \$2,500,431 in fiscal year 2019 and total accumulated depreciation of approximately \$25.9 million at June 30, 2019. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2019, Butler County had \$5.175 million of outstanding general obligation debt, compared to \$5.6 million at June 30, 2018.

| Outstanding Debt of Governmental Activities at Year End<br>(Expressed in Thousands) |                 |              |
|---|-----------------|--------------|
|   | June 30,        |              |
|   | 2019            | 2018         |
| General obligation urban renewal bonds  | <u>\$ 5,175</u> | <u>5,600</u> |



The County continues to carry a general obligation bond rating of Aa3 (Moody's) assigned by national ratings agencies to the County's debt since 1998. 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 \$79 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 elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 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, 2019 was 2.7%, an increase from the June 30, 2018 rate of 2.5%. This compares with the State's unemployment rate of 2.6% and is less than the national rate of 3.7%

Fiscal year 2020 budgeted receipts decreased approximately \$1,290,000 while budgeted disbursements decreased approximately \$233,000 compared to fiscal year 2019 actuals. If the budget estimates are realized, the County's fund balances are expected to decrease approximately \$3.0 million by the close of fiscal year 2020.

### **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 6<sup>th</sup> Street, Allison, Iowa 50602.

## **Basic Financial Statements**

Butler County  
Statement of Net Position  
June 30, 2019

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>Assets</b>                                   |                            |
| Cash and pooled investments                     | \$ 7,482,571               |
| Receivables:                                    |                            |
| Property tax:                                   |                            |
| Delinquent                                      | 8,892                      |
| Succeeding year                                 | 6,732,000                  |
| Succeeding year tax increment financing         | 474,000                    |
| Interest and penalty on property tax            | 30,262                     |
| Accounts  | 46,012                     |
| Due from other governments                      | 1,365,955                  |
| Inventories                                     | 837,370                    |
| Prepaid items                                   | 15,736                     |
| Capital assets, net of accumulated depreciation | 35,374,877                 |
| <b>Total assets</b>                             | 52,367,675                 |
| <b>Deferred Outflows of Resources</b>           |                            |
| Pension related deferred outflows               | 1,218,862                  |
| <b>Liabilities</b>                              |                            |
| Accounts payable                                | 376,422                    |
| Salaries and benefits payable                   | 158,075                    |
| Accrued interest payable                        | 12,492                     |
| Due to other governments                        | 7,779                      |
| Long-term liabilities:                          |                            |
| Portion due or payable within one year:         |                            |
| General obligation bonds                        | 500,000                    |
| Compensated absences                            | 340,028                    |
| Portion due or payable after one year:          |                            |
| General obligation bonds                        | 4,675,000                  |
| Compensated absences                            | 83,124                     |
| Net pension liability                           | 3,372,926                  |
| Total OPEB liability                            | 228,794                    |
| <b>Total liabilities</b>                        | 9,754,640                  |
| <b>Deferred Inflows of Resources</b>            |                            |
| Unavailable revenues:                           |                            |
| Succeeding year property tax                    | 6,732,000                  |
| Succeeding year tax increment financing         | 474,000                    |
| Pension related deferred inflows                | 446,447                    |
| OPEB related deferred inflows                   | 15,103                     |
| <b>Total deferred inflows of resources</b>      | 7,667,550                  |
| <b>Net Position</b>                             |                            |
| Net investment in capital assets                | 32,405,716                 |
| Restricted for:                                 |                            |
| Supplemental levy purposes                      | 141,863                    |
| Mental health purposes                          | 43,379                     |
| Rural services purposes                         | 1,352,743                  |
| Secondary roads purposes                        | 2,676,117                  |
| Conservation purposes                           | 137,424                    |
| Debt service                                    | 233,115                    |
| Other purposes                                  | 793,039                    |
| Unrestricted                                    | (1,619,049)                |
| <b>Total net position</b>                       | \$ 36,164,347              |

See notes to financial statements.

Butler County  
Statement of Activities  
Year ended June 30, 2019

|   | Program Revenues     |                        |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|---|----------------------|------------------------|--|--|--|
|   | Expenses             | Charges for<br>Service | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Capital Grants,<br>Contributions<br>and Restricted<br>Interest |  |
| <b>Functions/Programs:</b>                |                      |                        |  |  |  |
| Governmental activities:                  |                      |                        |  |  |  |
| Public safety and legal services          | \$ 2,324,237         | 351,592                | 9,782  | -  | (1,962,863)  |
| Physical health and social services       | 1,292,705            | 494,790                | 286,134  | -  | (511,781)  |
| Mental health                             | 693,396              | -                      | 129,196  | -  | (564,200)  |
| County environment and education          | 3,662,323            | 39,818                 | 935,048  | -  | (2,687,457)  |
| Roads and transportation                  | 7,944,930            | 68,667                 | 4,309,424  | 718,913  | (2,847,926)  |
| Governmental services to residents        | 536,923              | 307,343                | 1,496  | -  | (228,084)  |
| Administration                            | 1,849,668            | 85,118                 | 141,989  | -  | (1,622,561)  |
| Nonprogram                                | 15,450               | 3,916                  | -  | -  | (11,534)   |
| Interest on long-term debt                | 161,682              | -                      | -  | -  | (161,682)  |
| <b>Total</b>                              | <b>\$ 18,481,314</b> | <b>1,351,244</b>       | <b>5,813,069</b>   | <b>718,913</b>   | <b>(10,598,088)</b>  |
| <b>General Revenues:</b>                  |                      |                        |  |  |  |
| Property and other county tax levied for: |                      |                        |  |  |  |
| General purposes                          |                      |                        |  |  | 6,629,320  |
| Debt service                              |                      |                        |  |  | 244,323  |
| Tax increment financing                   |                      |                        |  |  | 489,252  |
| Penalty and interest on property tax      |                      |                        |  |  | 30,456   |
| State tax credits                         |                      |                        |  |  | 531,157  |
| Local option sales tax                    |                      |                        |  |  | 478,156  |
| Unrestricted investment earnings          |                      |                        |  |  | 181,072  |
| Rent                                      |                      |                        |  |  | 105,136  |
| Gain on disposition of capital assets     |                      |                        |  |  | 40,500   |
| Miscellaneous                             |                      |                        |  |  | 43,731   |
| <b>Total general revenues</b>             |                      |                        |  |  | <b>8,773,103</b>   |
| Change in net position                    |                      |                        |  |  | (1,824,985)  |
| Net position beginning of year            |                      |                        |  |  | 37,989,332   |
| Net position end of year                  |                      |                        |  |  | <b>\$ 36,164,347</b>                                       |

See notes to financial statements.

Butler County  
Balance Sheet  
Governmental Funds

June 30, 2019

|   | Special             |                  |                   |
|---|---------------------|------------------|-------------------|
|   | General             | Mental<br>Health | Rural<br>Services |
| <b>Assets</b>   |                     |                  |                   |
| Cash and pooled investments   | \$ 3,172,474        | 28,165           | 1,258,237         |
| Receivables:  |                     |                  |                   |
| Property tax:   |                     |                  |                   |
| Delinquent  | 6,616               | 822              | 1,063             |
| Succeeding year   | 3,771,000           | 477,000          | 2,239,000         |
| Succeeding year tax increment financing                                       | -                   | -                | -                 |
| Interest and penalty on property tax  | 30,262              | -                | -                 |
| Accounts  | 42,471              | -                | -                 |
| Due from other governments  | 135,808             | 22,169           | 133,145           |
| Inventories   | -                   | -                | -                 |
| Prepaid items   | 6,294               | -                | -                 |
| <b>Total assets</b>   | <b>\$ 7,164,925</b> | <b>528,156</b>   | <b>3,631,445</b>  |
| <b>Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b>       |                     |                  |                   |
| Liabilities:  |                     |                  |                   |
| Accounts payable  | \$ 42,012           | 919              | 2,661             |
| Salaries and benefits payable   | 95,826              | 3,077            | 10,857            |
| Due to other governments  | 4,711               | -                | 2,793             |
| Total liabilities   | 142,549             | 3,996            | 16,311            |
| Deferred inflows of resources:  |                     |                  |                   |
| Unavailable revenues:   |                     |                  |                   |
| Succeeding year property tax  | 3,771,000           | 477,000          | 2,239,000         |
| Succeeding year tax increment financing                                       | -                   | -                | -                 |
| Other   | 61,534              | 822              | 103,931           |
| Total deferred inflows of resources   | 3,832,534           | 477,822          | 2,342,931         |
| Fund balances:  |                     |                  |                   |
| Nonspendable:   |                     |                  |                   |
| Inventories   | -                   | -                | -                 |
| Prepaid items   | 6,294               | -                | -                 |
| Restricted for:   |                     |                  |                   |
| Supplemental levy purposes  | 168,011             | -                | -                 |
| Mental health purposes  | -                   | 46,338           | -                 |
| Rural services purposes   | -                   | -                | 1,272,203         |
| Secondary roads purposes  | -                   | -                | -                 |
| Resource enhancement and protection   | -                   | -                | -                 |
| Conservation land acquisition   | 106,682             | -                | -                 |
| Conservation trust  | -                   | -                | -                 |
| Jail and courthouse security  | 100,657             | -                | -                 |
| Capital projects  | -                   | -                | -                 |
| Debt service  | -                   | -                | -                 |
| Other purposes  | 77,436              | -                | -                 |
| Unassigned  | 2,730,762           | -                | -                 |
| Total fund balances   | 3,189,842           | 46,338           | 1,272,203         |
| <b>Total liabilities, deferred inflows of resources<br/>and fund balances</b> | <b>\$ 7,164,925</b> | <b>528,156</b>   | <b>3,631,445</b>  |

See notes to financial statements.

| <u>Revenue</u>   |                 |                  |                   |
|------------------|-----------------|------------------|-------------------|
| <u>Secondary</u> | <u>Capital</u>  |                  |                   |
| <u>Roads</u>     | <u>Projects</u> | <u>Nonmajor</u>  | <u>Total</u>      |
| 1,499,677        | 798,339         | 725,679          | 7,482,571         |
| -                | -               | 391              | 8,892             |
| -                | -               | 245,000          | 6,732,000         |
| -                | -               | 474,000          | 474,000           |
| -                | -               | -                | 30,262            |
| 2,371            | -               | 1,170            | 46,012            |
| 796,423          | -               | 278,410          | 1,365,955         |
| 837,370          | -               | -                | 837,370           |
| 9,442            | -               | -                | 15,736            |
| <u>3,145,283</u> | <u>798,339</u>  | <u>1,724,650</u> | <u>16,992,798</u> |
| 191,819          | -               | 139,011          | 376,422           |
| 48,315           | -               | -                | 158,075           |
| 275              | -               | -                | 7,779             |
| <u>240,409</u>   | <u>-</u>        | <u>139,011</u>   | <u>542,276</u>    |
| -                | -               | 245,000          | 6,732,000         |
| -                | -               | 474,000          | 474,000           |
| 453,304          | -               | 391              | 619,982           |
| <u>453,304</u>   | <u>-</u>        | <u>719,391</u>   | <u>7,825,982</u>  |
| 837,370          | -               | -                | 837,370           |
| 9,442            | -               | -                | 15,736            |
| -                | -               | -                | 168,011           |
| -                | -               | -                | 46,338            |
| -                | -               | -                | 1,272,203         |
| 1,604,758        | -               | -                | 1,604,758         |
| -                | -               | 30,742           | 30,742            |
| -                | -               | -                | 106,682           |
| -                | -               | 519,693          | 519,693           |
| -                | -               | -                | 100,657           |
| -                | 798,339         | -                | 798,339           |
| -                | -               | 245,216          | 245,216           |
| -                | -               | 70,597           | 148,033           |
| -                | -               | -                | 2,730,762         |
| <u>2,451,570</u> | <u>798,339</u>  | <u>866,248</u>   | <u>8,624,540</u>  |
| <u>3,145,283</u> | <u>798,339</u>  | <u>1,724,650</u> | <u>16,992,798</u> |

**Butler County**

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

June 30, 2019

**Total governmental fund balances (page 19)** \$ 8,624,540

***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 \$61,279,839 and the accumulated depreciation is \$23,904,962.

35,374,877

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.

619,982

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

\$ 1,218,862

Deferred inflows of resources

(461,550)

757,312

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.

(9,212,364)

**Net position of governmental activities (page 16)**

\$ 36,164,347

See notes to financial statements.



Butler County

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

Year ended June 30, 2019

|  | Special             |                  |                    |
|--|---------------------|------------------|--------------------|
|  | General             | Mental<br>Health | Rural<br>Services  |
| Revenues:  |                     |                  |                    |
| Property and other county tax                                | \$ 3,914,339        | 486,130          | 2,226,777          |
| Tax increment financing                                      | -                   | -                | -                  |
| Local option sales tax                                       | -                   | -                | 239,078            |
| Interest and penalty on property tax                         | 33,610              | -                | -                  |
| Intergovernmental  | 1,487,700           | 166,410          | 372,138            |
| Licenses and permits   | 19,886              | -                | 10,764             |
| Charges for service  | 481,312             | -                | 1,675              |
| Use of money and property                                    | 284,200             | 1,488            | -                  |
| Miscellaneous  | 203,303             | -                | 1,829              |
| Total revenues   | <u>6,424,350</u>    | <u>654,028</u>   | <u>2,852,261</u>   |
| Expenditures:  |                     |                  |                    |
| Operating:   |                     |                  |                    |
| Public safety and legal services                             | 1,839,879           | -                | 461,671            |
| Physical health and social services                          | 1,287,662           | -                | -                  |
| Mental health  | -                   | 692,300          | -                  |
| County environment and education                             | 2,022,132           | -                | 329,636            |
| Roads and transportation                                     | -                   | -                | 75,000             |
| Governmental services to residents                           | 506,572             | -                | 7,969              |
| Administration   | 1,710,559           | -                | -                  |
| Non-program  | 15,450              | -                | -                  |
| Debt service   | -                   | -                | -                  |
| Capital projects   | 719,266             | -                | -                  |
| Total expenditures   | <u>8,101,520</u>    | <u>692,300</u>   | <u>874,276</u>     |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(1,677,170)</u>  | <u>(38,272)</u>  | <u>1,977,985</u>   |
| Other financing sources (uses):                              |                     |                  |                    |
| Transfers in   | 1,500,000           | -                | -                  |
| Transfers out  | <u>(208,715)</u>    | <u>-</u>         | <u>(1,991,476)</u> |
| Total other financing sources (uses)                         | <u>1,291,285</u>    | <u>-</u>         | <u>(1,991,476)</u> |
| Change in fund balances                                      | (385,885)           | (38,272)         | (13,491)           |
| Fund balances beginning of year                              | <u>3,575,727</u>    | <u>84,610</u>    | <u>1,285,694</u>   |
| Fund balances end of year                                    | <u>\$ 3,189,842</u> | <u>46,338</u>    | <u>1,272,203</u>   |

See notes to financial statements.

| Revenue            |                     |           |             |
|--------------------|---------------------|-----------|-------------|
| Secondary<br>Roads | Capital<br>Projects | Nonmajor  | Total       |
| -                  | -                   | 244,254   | 6,871,500   |
| -                  | -                   | 489,252   | 489,252     |
| 239,078            | -                   | -         | 478,156     |
| -                  | -                   | -         | 33,610      |
| 4,295,749          | -                   | 472,984   | 6,794,981   |
| 11,000             | -                   | -         | 41,650      |
| 1,007              | -                   | 2,898     | 486,892     |
| -                  | 24,290              | 16,266    | 326,244     |
| 121,369            | -                   | 57,402    | 383,903     |
| 4,668,203          | 24,290              | 1,283,056 | 15,906,188  |
| -                  | -                   | -         | 2,301,550   |
| -                  | -                   | -         | 1,287,662   |
| -                  | -                   | -         | 692,300     |
| -                  | -                   | 498,067   | 2,849,835   |
| 6,386,651          | -                   | -         | 6,461,651   |
| -                  | -                   | 7,998     | 522,539     |
| -                  | -                   | -         | 1,710,559   |
| -                  | -                   | -         | 15,450      |
| -                  | -                   | 587,616   | 587,616     |
| 702,914            | -                   | 126,317   | 1,548,497   |
| 7,089,565          | -                   | 1,219,998 | 17,977,659  |
| (2,421,362)        | 24,290              | 63,058    | (2,071,471) |
| 2,136,476          | -                   | 427,331   | 4,063,807   |
| -                  | (1,500,000)         | (363,616) | (4,063,807) |
| 2,136,476          | (1,500,000)         | 63,715    | -           |
| (284,886)          | (1,475,710)         | 126,773   | (2,071,471) |
| 2,736,456          | 2,274,049           | 739,475   | 10,696,011  |
| 2,451,570          | 798,339             | 866,248   | 8,624,540   |

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, 2019

**Change in fund balances - Total governmental funds (page 23)** \$ (2,071,471)

**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. Depreciation expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:

|   |                    |           |
|---|--------------------|-----------|
| Expenditures for capital assets                                     | \$ 1,622,792       |           |
| Capital assets contributed by the Iowa Department of Transportation | 188,457            |           |
| Depreciation expense  | <u>(2,500,431)</u> | (689,182) |

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. 40,500

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

|              |                |         |
|--------------|----------------|---------|
| Property tax | 2,143          |         |
| Other        | <u>519,041</u> | 521,184 |

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. 425,000

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 504,866

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       | (33,263)   |                  |
| OPEB expense               | (6,514)    |                  |
| Pension expense            | (517,039)  |                  |
| Interest on long-term debt | <u>934</u> | <u>(555,882)</u> |

**Change in net position of governmental activities (page 17)** \$ (1,824,985)

See notes to financial statements.

Butler County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2019

**Assets**

|                              |               |
|------------------------------|---------------|
| Cash and pooled investments: |               |
| County Treasurer             | \$ 10,935,485 |
| Other County officials       | 140,821       |
| Receivables:                 |               |
| Property tax:                |               |
| Delinquent                   | 31,940        |
| Succeeding year              | 16,969,000    |
| Accounts                     | 9,616         |
| Special assessments          | 32,441        |
| Due from other governments   | 331,705       |
| <b>Total assets</b>          | 28,451,008    |

**Liabilities**

|                               |            |
|-------------------------------|------------|
| Accounts payable              | 1,080,769  |
| Salaries and benefits payable | 9,000      |
| Due to other governments      | 27,242,404 |
| Trusts payable                | 111,605    |
| Compensated absences          | 7,230      |
| <b>Total liabilities</b>      | 28,451,008 |
| <b>Net position</b>           | \$ -       |

See notes to financial statements.

Butler County

Notes to Financial Statements

June 30, 2019

**(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.

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 and tax increment financing receivables represent 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, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2018.

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 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, 2019. 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 inflows 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, 2019, disbursements did not exceed the budgeted amounts in any function.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2019 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 \$253,259. 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, 2019 is as follows:

| <u>Transfer to</u>           | <u>Transfer from</u>              | <u>Amount</u>       |
|------------------------------|-----------------------------------|---------------------|
| General                      | Capital Projects                  | <u>\$ 1,500,000</u> |
| Special Revenue:             |                                   |                     |
| Conservation Trust           | General                           | <u>60,500</u>       |
| Secondary Roads              | General                           | 145,000             |
|                              | Special Revenue:                  |                     |
|                              | Rural Services                    | <u>1,991,476</u>    |
|                              |                                   | <u>2,136,476</u>    |
| Recorder's Record Management | General                           | <u>3,215</u>        |
| Debt Service                 | Special Revenue:                  |                     |
|                              | Logistics Tax Increment Financing | <u>363,616</u>      |
| Total                        |                                   | <u>\$ 4,063,807</u> |

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

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

|   | <u>Balance</u>       |                  |                  | <u>Balance</u>    |
|---|----------------------|------------------|------------------|-------------------|
|   | <u>Beginning</u>     |                  |                  | <u>End</u>        |
|   | <u>of Year</u>       | <u>Increases</u> | <u>Decreases</u> | <u>of Year</u>    |
| <b>Governmental activities:</b>             |                      |                  |                  |                   |
| Capital assets not being depreciated:       |                      |                  |                  |                   |
| Land  | \$ 1,274,235         | -                | -                | 1,274,235         |
| Construction in progress, road network      | 1,342,036            | 845,278          | 1,964,914        | 222,400           |
| Total capital assets not being depreciated  | <u>2,616,271</u>     | <u>845,278</u>   | <u>1,964,914</u> | <u>1,496,635</u>  |
| Capital assets being depreciated:           |                      |                  |                  |                   |
| Buildings                                   | 3,528,021            | -                | -                | 3,528,021         |
| Improvements other than buildings           | 75,820               | -                | -                | 75,820            |
| Equipment and vehicles                      | 11,660,452           | 1,006,471        | 252,475          | 12,414,448        |
| Infrastructure, road network                | 40,031,494           | 1,964,914        | -                | 41,996,408        |
| Infrastructure, other                       | 1,768,507            | -                | -                | 1,768,507         |
| Total capital assets being depreciated      | <u>57,064,294</u>    | <u>2,971,385</u> | <u>252,475</u>   | <u>59,783,204</u> |
| Less accumulated depreciation for:          |                      |                  |                  |                   |
| Buildings                                   | 2,048,353            | 37,464           | -                | 2,085,817         |
| Improvements other than buildings           | 21,517               | 3,032            | -                | 24,549            |
| Equipment and vehicles                      | 9,146,942            | 644,457          | 252,475          | 9,538,924         |
| Infrastructure, road network                | 12,050,585           | 1,779,350        | -                | 13,829,935        |
| Infrastructure, other                       | 389,609              | 36,128           | -                | 425,737           |
| Total accumulated depreciation              | <u>23,657,006</u>    | <u>2,500,431</u> | <u>252,475</u>   | <u>25,904,962</u> |
| Total capital assets being depreciated, net | <u>33,407,288</u>    | <u>470,954</u>   | <u>-</u>         | <u>33,878,242</u> |
| Governmental activities capital assets, net | <u>\$ 36,023,559</u> | <u>1,316,232</u> | <u>1,964,914</u> | <u>35,374,877</u> |

Depreciation expense was charged to the following functions:

|  |  |                     |
|--|--|---------------------|
| Governmental activities:                             |  |                     |
| Public safety and legal services                     |  | \$ 65,486           |
| Physical health and social services                  |  | 2,786               |
| County environment and education                     |  | 69,235              |
| Roads and transportation                             |  | 2,285,746           |
| Governmental services to residents                   |  | 16,635              |
| Administration                                       |  | <u>60,543</u>       |
| Total depreciation expense - governmental activities |  | <u>\$ 2,500,431</u> |

**(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, 2019 is as follows:

| Fund                          | Description | Amount               |
|-------------------------------|-------------|----------------------|
| General                       | Services    | <u>\$ 4,711</u>      |
| Special Revenue:              |             |                      |
| Rural Services                | Services    | 2,793                |
| Secondary Roads               |             | <u>275</u>           |
|                               |             | <u>3,068</u>         |
| Total for governmental funds  |             | <u>\$ 7,779</u>      |
| Agency:                       |             |                      |
| County Agricultural Extension | Collections | \$ 220,244           |
| County Assessor               |             | 723,686              |
| Schools                       |             | 10,839,144           |
| Community Colleges            |             | 889,780              |
| Corporations                  |             | 4,408,366            |
| Townships                     |             | 282,665              |
| City Special Assessments      |             | 74,623               |
| Auto License and Use Tax      |             | 423,262              |
| County Social Services        |             | 8,652,072            |
| Empowerment Board             |             | 92,145               |
| All other                     |             | <u>636,417</u>       |
| Total for agency funds        |             | <u>\$ 27,242,404</u> |

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

|                           | General Obligation  |                      |                       |                      |                  | Total |
|---------------------------|---------------------|----------------------|-----------------------|----------------------|------------------|-------|
|                           | Urban Renewal Bonds | Compensated Absences | Net Pension Liability | Total OPEB Liability |                  |       |
| Balance beginning of year | \$ 5,600,000        | 389,889              | 3,776,927             | 228,739              | 9,995,555        |       |
| Increases                 | -                   | 391,916              | -                     | 55                   | 391,971          |       |
| Decreases                 | 425,000             | 358,653              | 404,001               | -                    | 1,187,654        |       |
| Balance end of year       | <u>\$ 5,175,000</u> | <u>423,152</u>       | <u>3,372,926</u>      | <u>228,794</u>       | <u>9,199,872</u> |       |
| Due within one year       | <u>\$ 500,000</u>   | <u>340,028</u>       | <u>-</u>              | <u>-</u>             | <u>840,028</u>   |       |

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 and from tax increment financing revenues collected pursuant to Chapter 403 of the Code of Iowa.

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 and from tax increment financing revenues collected pursuant to Chapter 403 of the Code of Iowa.

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 and from tax increment financing revenues collected pursuant to Chapter 403 of the Code of Iowa.

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

| Year<br>Ending<br>June 30, | Issued Aug 31, 2010 |                     |                | Issued Sept 4, 2013 |                     |                |
|----------------------------|---------------------|---------------------|----------------|---------------------|---------------------|----------------|
|                            | Interest<br>Rates   | Principal           | Interest       | Interest<br>Rates   | Principal           | Interest       |
| 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                       | 3.40                | 185,000             | 13,115         | 3.60                | 200,000             | 24,380         |
| 2025-2028                  | 3.50                | 195,000             | 6,825          | 3.80-4.00           | 440,000             | 26,380         |
| Total                      |                     | <u>\$ 1,055,000</u> | <u>126,860</u> |                     | <u>\$ 1,305,000</u> | <u>204,875</u> |

| Year<br>Ending<br>June 30, | Issued Nov 21, 2017 |                     |                | Total               |                |                  |
|----------------------------|---------------------|---------------------|----------------|---------------------|----------------|------------------|
|                            | Interest<br>Rates   | Principal           | Interest       | Principal           | Interest       | Total            |
| 2020                       | 2.50%               | \$ 190,000          | 70,375         | \$ 500,000          | 149,910        | 649,910          |
| 2021                       | 2.50                | 255,000             | 65,625         | 575,000             | 136,180        | 711,180          |
| 2022                       | 2.50                | 260,000             | 59,250         | 600,000             | 120,205        | 720,205          |
| 2023                       | 2.50                | 265,000             | 52,750         | 635,000             | 102,740        | 737,740          |
| 2024                       | 2.50                | 300,000             | 46,125         | 685,000             | 83,620         | 768,620          |
| 2025-2028                  | 2.50                | 1,545,000           | 101,750        | 2,180,000           | 134,955        | 2,314,955        |
| Total                      |                     | <u>\$ 2,815,000</u> | <u>395,875</u> | <u>\$ 5,175,000</u> | <u>727,610</u> | <u>5,902,610</u> |

During the year ended June 30, 2019, the County retired \$425,000 of principal and \$161,115 of interest on the general obligation urban renewal bonds.

**(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, 2019 was \$700,000. During the year, the County rebated \$78,748 of the incremental property tax received. The total amount rebated since the inception of the agreements is \$151,070.

**(8) 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](http://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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.76% of covered payroll, for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% of covered payroll, for a total rate of 17.02%.

The County's contributions to IPERS for the year ended June 30, 2019 totaled \$504,866.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the County reported a liability of \$3,372,926 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the County's proportion was 0.053300%, which was a decrease of 0.0034% from its proportion measured as of June 30, 2017.



For the year ended June 30, 2019, the County recognized pension expense of \$517,039. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ 33,291                         | 107,246                          |
| Changes of assumptions   | 625,991                           | 152,852                          |
| Net difference between projected and actual earnings on IPERS' investments   | -                                 | 130,745                          |
| Changes in proportion and differences between County contributions and the County's proportionate share of contributions | 54,714                            | 55,604                           |
| County contributions subsequent to the measurement date  | 504,866                           | -                                |
| Total  | <u>\$ 1,218,862</u>               | <u>446,447</u>                   |

\$504,866 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, 2020. 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<br>June 30, | Amount            |
|-------------------------|-------------------|
| 2020                    | \$ 266,708        |
| 2021                    | 127,149           |
| 2022                    | (75,917)          |
| 2023                    | (37,941)          |
| 2024                    | (12,450)          |
| Total                   | <u>\$ 267,549</u> |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

|  |   |
|--|---|
| Rate of inflation<br>(effective June 30, 2017)                   | 2.60% per annum.  |
| Rates of salary increase<br>(effective June 30, 2017)            | 3.25 to 16.25% average, including inflation.<br>Rates vary by membership group. |
| Long-term investment rate of return<br>(effective June 30, 2017) | 7.00% compounded annually, net of investment expense, including inflation.      |
| Wage growth<br>(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, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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          | 22.0%            | 6.01%                                  |
| International equity     | 15.0             | 6.48                                   |
| Global smart beta equity | 3.0              | 6.23                                   |
| Core plus fixed income   | 27.0             | 1.97                                   |
| Public credit            | 3.5              | 3.93                                   |
| Public real assets       | 7.0              | 2.91                                   |
| Cash                     | 1.0              | (0.25)                                 |
| Private equity           | 11.0             | 10.81                                  |
| Private real assets      | 7.5              | 4.14                                   |
| Private credit           | 3.0              | 3.11                                   |
| Total                    | <u>100.0%</u>    |  |

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%<br>Decrease<br>(6.00%) | Discount<br>Rate<br>(7.00%) | 1%<br>Increase<br>(8.00%) |
|--|---------------------------|-----------------------------|---------------------------|
| County's proportionate share of<br>the net pension liability | \$ 6,501,013              | 3,372,926                   | 749,484                   |

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](http://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, 2019.

**(9) 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, 2019, the following employees were covered by the benefit terms:

|  |           |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefit payments | 4         |
| Active employees   | <u>86</u> |
| Total  | <u>90</u> |

Total OPEB Liability – The County’s total OPEB liability of \$228,794 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018. The total OPEB liability was rolled forward from the July 1, 2018 valuation date to the June 30, 2019 measurement date.

Actuarial Assumptions – The total OPEB liability in the July 1, 2018 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              | 3.72% compounded annually |
| (effective June 30, 2018)  |                           |
| Healthcare cost trend rate | 6.00% per year            |
| (effective June 30, 2018)  |                           |

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 July 1, 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

|  | <u>Total OPEB<br/>Liability</u> |
|--|---------------------------------|
| Total OPEB liability beginning of year                 | \$ 228,739                      |
| Changes for the year:                                  |                                 |
| Service cost   | 16,982                          |
| Interest   | 8,838                           |
| Differences between expected<br>and actual experiences | (8,778)                         |
| Benefit payments                                       | <u>(16,987)</u>                 |
| Net changes  | <u>55</u>                       |
| Total OPEB liability end of year                       | <u>\$ 228,794</u>               |

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.

|                      | <u>1%<br/>Decrease<br/>(2.72%)</u> | <u>Discount<br/>Rate<br/>(3.72%)</u> | <u>1%<br/>Increase<br/>(4.72%)</u> |
|----------------------|------------------------------------|--------------------------------------|------------------------------------|
| Total OPEB liability | \$ 249,058                         | 228,794                              | 210,423                            |

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 if 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.

|                      | <u>1%<br/>Decrease<br/>(5.00%)</u> | <u>Healthcare<br/>Cost Trend<br/>Rate<br/>(6.00%)</u> | <u>1%<br/>Increase<br/>(7.00%)</u> |
|----------------------|------------------------------------|---|------------------------------------|
| Total OPEB liability | \$ 200,202                         | 228,794   | 262,752                            |

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the County recognized OPEB expense of \$6,514. At June 30, 2019, the County reported deferred inflows of resources related to OPEB from the following resources:

|   | <u>Deferred Inflows<br/>of Resources</u> |
|---|--|
| Differences between expected and<br>actual experience | <u>\$ 15,103</u>                         |

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

| Year ending<br>June 30, | Amount           |
|-------------------------|------------------|
| 2020                    | \$ 2,319         |
| 2021                    | 2,319            |
| 2022                    | 2,319            |
| 2023                    | 2,319            |
| 2023                    | 2,319            |
| Thereafter              | 3,508            |
|                         | <u>\$ 15,103</u> |

**(10) 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 778 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, 2019 were \$151,707.

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, 2019, no liability has been recorded in the County's financial statements. As of June 30, 2019, 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.

**(11) 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.

**County Tax Abatements**

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2019, \$33,644 of property tax was diverted from the County under the County's urban renewal development agreement.

**Tax Abatements of Other Entities**

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2019 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 | \$ 86,258            |
| City of Shell Rock  | Urban renewal and economic development projects | 7,385                |

**(12) 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, 2019 as follows:

|   |                |                  |
|---|----------------|------------------|
| Revenues:                                 |                |                  |
| Property and other county tax             |                | \$ 486,130       |
| Intergovernmental revenues:               |                |                  |
| State tax credits and replacements        | \$ 38,702      |                  |
| Payments from regional fiscal agent       | <u>127,708</u> | 166,410          |
| Use of money and property                 |                | <u>1,488</u>     |
| Total revenues                            |                | <u>654,028</u>   |
| Expenditures:                             |                |                  |
| Services to persons with:                 |                |                  |
| Mental illness                            |                | 127,310          |
| General administration:                   |                |                  |
| Distribution to regional fiscal agent     |                | <u>564,990</u>   |
| Total expenditures                        |                | <u>692,300</u>   |
| Deficiency of revenues under expenditures |                | (38,272)         |
| Fund balance beginning of year            |                | <u>84,610</u>    |
| Fund balance end of year                  |                | <u>\$ 46,338</u> |

**(13) 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, 2019 is as follows:

|                                | Early<br>Childhood | School<br>Ready | Total   |
|--------------------------------|--------------------|-----------------|---------|
| Revenues:                      |                    |                 |         |
| State grants:                  |                    |                 |         |
| Early childhood                | \$ 68,046          | -               | 68,046  |
| Quality improvement            | -                  | 60,116          | 60,116  |
| Allocation for administration  | 3,581              | 13,585          | 17,166  |
| Other grant programs           | -                  | 379,146         | 379,146 |
| Total state grants             | 71,627             | 452,847         | 524,474 |
| Interest on investments        | 317                | 2,323           | 2,640   |
| Total revenues                 | 71,944             | 455,170         | 527,114 |
| Expenditures:                  |                    |                 |         |
| Program services:              |                    |                 |         |
| Early childhood                | 68,640             | -               | 68,640  |
| Quality improvement            | -                  | 56,008          | 56,008  |
| Other program services         | -                  | 387,882         | 387,882 |
| Total program services         | 68,640             | 443,890         | 512,530 |
| Administration                 | 3,477              | 15,216          | 18,693  |
| Total expenditures             | 72,117             | 459,106         | 531,223 |
| Change in fund balance         | (173)              | (3,936)         | (4,109) |
| Fund balance beginning of year | 2,551              | 81,447          | 83,998  |
| Fund balance end of year       | \$ 2,378           | 77,511          | 79,889  |

**(14) 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.

**(15) Subsequent Event**

In November 2019, the County issued \$2,700,000 in general obligation urban renewal bonds Series 2019 for essential county urban renewal purposes. The bonds are payable from the continuing annual levy of taxes against all taxable property of the County and from tax increment financing revenues collected pursuant to Chapter 403 of the Code of Iowa.

In January 2020, Butler County Emergency Management Commission entered into a promissory note for \$150,000 for the purchase of a building.

**(16) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.



**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, 2019

|   | Actual       | Budgeted Amounts |             | Final to           |
|---|--------------|------------------|-------------|--------------------|
|   |              | Original         | Final       | Actual<br>Variance |
| Receipts:   |              |                  |             |                    |
| Property and other county tax                                 | \$ 7,837,181 | 7,785,437        | 7,785,437   | 51,744             |
| Interest and penalty on property tax                          | 33,610       | 34,200           | 34,200      | (590)              |
| Intergovernmental   | 6,870,588    | 6,842,864        | 6,842,864   | 27,724             |
| Licenses and permits  | 40,685       | 42,500           | 42,500      | (1,815)            |
| Charges for service   | 475,679      | 494,251          | 494,251     | (18,572)           |
| Use of money and property                                     | 333,097      | 310,059          | 310,059     | 23,038             |
| Miscellaneous   | 454,821      | 253,890          | 253,890     | 200,931            |
| Total receipts  | 16,045,661   | 15,763,201       | 15,763,201  | 282,460            |
| Disbursements:  |              |                  |             |                    |
| Public safety and legal services                              | 2,306,770    | 2,591,619        | 2,591,619   | 284,849            |
| Physical health and social services                           | 1,291,170    | 1,398,471        | 1,398,471   | 107,301            |
| Mental health   | 690,907      | 763,786          | 763,786     | 72,879             |
| County environment and education                              | 2,760,163    | 1,408,128        | 2,908,128   | 147,965            |
| Roads and transportation                                      | 6,521,991    | 6,060,000        | 6,540,000   | 18,009             |
| Governmental services to residents                            | 523,529      | 626,952          | 626,952     | 103,423            |
| Administration  | 1,714,770    | 2,035,887        | 2,035,887   | 321,117            |
| Non-program   | 15,451       | 20,000           | 20,000      | 4,549              |
| Debt service  | 587,615      | 588,115          | 588,115     | 500                |
| Capital projects  | 1,618,378    | 3,054,851        | 3,054,851   | 1,436,473          |
| Total disbursements   | 18,030,744   | 18,547,809       | 20,527,809  | 2,497,065          |
| Excess (deficiency) of receipts<br>over (under) disbursements | (1,985,083)  | (2,784,608)      | (4,764,608) | 2,779,525          |
| Balance beginning of year                                     | 9,467,654    | 8,584,198        | 8,584,198   | 883,456            |
| Balance end of year   | \$ 7,482,571 | 5,799,590        | 3,819,590   | 3,662,981          |

See accompanying independent auditor's report.

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Butler County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2019

|                         | <u>Governmental Funds</u> |                    |                  |
|-------------------------|---------------------------|--------------------|------------------|
|                         | <u>Cash</u>               | <u>Accrual</u>     | <u>Modified</u>  |
|                         | <u>Basis</u>              | <u>Adjustments</u> | <u>Accrual</u>   |
|                         |                           |                    | <u>Basis</u>     |
| Revenues                | \$ 16,045,661             | (139,473)          | 15,906,188       |
| Expenditures            | 18,030,744                | (53,085)           | 17,977,659       |
| Net                     | (1,985,083)               | (86,388)           | (2,071,471)      |
| Beginning fund balances | 9,467,654                 | 1,228,357          | 10,696,011       |
| Ending fund balances    | <u>\$ 7,482,571</u>       | <u>1,141,969</u>   | <u>8,624,540</u> |

See accompanying independent auditor's report.

Butler County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2019

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, one budget amendment increased budgeted disbursements by \$1,980,000. The budget amendment is 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, 2019, disbursements did not exceed the amounts budgeted.

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Butler County

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

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

Required Supplementary Information

|  | 2019      | 2018      | 2017      | 2016      | 2015      |
|--|-----------|-----------|-----------|-----------|-----------|
| County's proportion of the net pension liability   | 0.053300% | 0.056700% | 0.057930% | 0.053469% | 0.051171% |
| County's proportionate share of the net pension liability  | \$ 3,373  | 3,777     | 3,646     | 2,642     | 2,029     |
| County's covered payroll   | \$ 5,069  | 4,964     | 4,924     | 4,619     | 4,527     |
| County's proportionate share of the net pension liability as a percentage of its covered payroll | 66.54%    | 76.09%    | 74.05%    | 57.20%    | 44.82%    |
| IPERS' net position as a percentage of the total pension liability                               | 83.62%    | 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.

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Butler County

Schedule of County Contributions

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

Required Supplementary Information

|   | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  |
|---|--------------|--------------|--------------|--------------|
| Statutorily required contribution                                     | \$ 505       | 459          | 451          | 450          |
| Contributions in relation to the<br>statutorily required contribution | <u>(505)</u> | <u>(459)</u> | <u>(451)</u> | <u>(450)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>  | <u>-</u>     | <u>-</u>     | <u>-</u>     |
| County's covered payroll  | \$ 5,295     | 5,069        | 4,964        | 4,924        |
| Contributions as a percentage of<br>covered payroll                   | 9.54%        | 9.06%        | 9.09%        | 9.14%        |

See accompanying independent auditor's report.

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| 2015  | 2014  | 2013  | 2012  | 2011  | 2010  |
|-------|-------|-------|-------|-------|-------|
| 422   | 415   | 390   | 363   | 319   | 297   |
| (422) | (415) | (390) | (363) | (319) | (297) |
| -     | -     | -     | -     | -     | -     |
| 4,619 | 4,527 | 4,339 | 4,275 | 4,250 | 4,231 |
| 9.14% | 9.17% | 8.99% | 8.49% | 7.51% | 7.02% |



Butler County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2019

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 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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.

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Butler County

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

For the Last Two Years  
Required Supplementary Information

|   | <u>2019</u>       | <u>2018</u>     |
|---|-------------------|-----------------|
| Service cost  | \$ 16,982         | 16,958          |
| Interest cost   | 8,838             | 8,849           |
| Difference between expected and<br>actual experiences               | (8,778)           | (9,833)         |
| Benefit payments  | <u>(16,987)</u>   | <u>(14,311)</u> |
| Net change in total OPEB liability                                  | 55                | 1,663           |
| Total OPEB liability beginning of year                              | <u>228,739</u>    | <u>227,076</u>  |
| Total OPEB liability end of year                                    | <u>\$ 228,794</u> | <u>228,739</u>  |
| Covered-employee payroll  | \$ 5,061,214      | 5,171,127       |
| Total OPEB liability as a percentage<br>of covered-employee payroll | 4.5%              | 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:*

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

|                          |       |
|--------------------------|-------|
| Year ended June 30, 2019 | 3.72% |
| Year ended June 30, 2018 | 3.72% |

**Butler County**

**Supplementary Information**

Butler County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2019

|  | Economic<br>Development<br>Revolving<br>Loan | Seized<br>and<br>Forfeited<br>Property | Sesqui-<br>centennial<br>Memorial | Special<br>County<br>Recorder's<br>Records<br>Management |
|--|--|--|-----------------------------------|--|
| <b>Assets</b>  |  |  |                                   |  |
| Cash and pooled investments  | \$ 38,377                                    | 27,402                                 | 772                               | 833  |
| Receivables:   |  |  |                                   |  |
| Property tax:  |  |  |                                   |  |
| Delinquent   | -  | -                                      | -                                 | -  |
| Succeeding year property tax   | -  | -                                      | -                                 | -  |
| Succeeding year tax increment financing                                      | -  | -                                      | -                                 | -  |
| Accounts   | -  | -                                      | -                                 | -  |
| Due from other governments   | -  | -                                      | -                                 | -  |
| <b>Total assets</b>  | <b>\$ 38,377</b>                             | <b>27,402</b>                          | <b>772</b>                        | <b>833</b>   |
| <b>Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b>      |  |  |                                   |  |
| Liabilities:   |  |  |                                   |  |
| Accounts payable   | \$ -   | -                                      | -                                 | -  |
| Deferred inflows of resources:   |  |  |                                   |  |
| Unavailable revenues:  |  |  |                                   |  |
| Succeeding year property tax   | -  | -                                      | -                                 | -  |
| Succeeding year tax increment financing                                      | -  | -                                      | -                                 | -  |
| Other  | -  | -                                      | -                                 | -  |
| <b>Total deferred inflows of resources</b>                                   | <b>-</b>                                     | <b>-</b>                               | <b>-</b>                          | <b>-</b>   |
| Fund balances:   |  |  |                                   |  |
| Restricted for:  |  |  |                                   |  |
| Resource enhancement and protection  | -  | -                                      | -                                 | -  |
| Conservation trust   | -  | -                                      | -                                 | -  |
| Debt service   | -  | -                                      | -                                 | -  |
| Other purposes   | 38,377                                       | 27,402                                 | 772                               | 833  |
| Total fund balances  | 38,377                                       | 27,402                                 | 772                               | 833  |
| <b>Total liabilities deferred inflows of resources<br/>and fund balances</b> | <b>\$ 38,377</b>                             | <b>27,402</b>                          | <b>772</b>                        | <b>833</b>   |

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  | 327,807            | 82,059                              | 164,370                           | 80,846       | 725,679   |
| -            | -      | -                  | -                                   | -                                 | 391          | 391       |
| -            | -      | -                  | -                                   | -                                 | 245,000      | 245,000   |
| -            | -      | -                  | -                                   | 474,000                           | -            | 474,000   |
| -            | -      | 1,170              | -                                   | -                                 | -            | 1,170     |
| -            | -      | 278,410            | -                                   | -                                 | -            | 278,410   |
| 1,205        | 2,008  | 607,387            | 82,059                              | 638,370                           | 326,237      | 1,724,650 |
| -            | -      | 87,694             | 51,317                              | -                                 | -            | 139,011   |
| -            | -      | -                  | -                                   | -                                 | 245,000      | 245,000   |
| -            | -      | -                  | -                                   | 474,000                           | -            | 474,000   |
| -            | -      | -                  | -                                   | -                                 | 391          | 391       |
| -            | -      | -                  | -                                   | 474,000                           | 245,391      | 719,391   |
| -            | -      | -                  | 30,742                              | -                                 | -            | 30,742    |
| -            | -      | 519,693            | -                                   | -                                 | -            | 519,693   |
| -            | -      | -                  | -                                   | 164,370                           | 80,846       | 245,216   |
| 1,205        | 2,008  | -                  | -                                   | -                                 | -            | 70,597    |
| 1,205        | 2,008  | 519,693            | 30,742                              | 164,370                           | 80,846       | 866,248   |
| 1,205        | 2,008  | 607,387            | 82,059                              | 638,370                           | 326,237      | 1,724,650 |

Butler County

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

Year ended June 30, 2019

|  | Economic<br>Development<br>Revolving<br>Loan | Seized<br>and<br>Forfeited<br>Property | Sesqui-<br>centennial<br>Memorial | Special<br>County<br>Recorder's<br>Records<br>Management |
|--|--|--|-----------------------------------|--|
| Revenues:  |  |  |                                   |  |
| Property and other county tax                                | \$ -   | -                                      | -                                 | -  |
| Tax increment financing                                      | -  | -                                      | -                                 | -  |
| Intergovernmental  | -  | -                                      | -                                 | -  |
| Charges for service  | -  | -                                      | -                                 | 2,898  |
| Use of money and property                                    | 4,248  | -                                      | 10                                | 25   |
| Miscellaneous  | -  | -                                      | -                                 | -  |
| Total revenues   | 4,248  | -                                      | 10                                | 2,923  |
| Expenditures:  |  |  |                                   |  |
| Operating:   |  |  |                                   |  |
| County environment and education                             | -  | -                                      | -                                 | -  |
| Governmental services to residents                           | -  | -                                      | -                                 | 7,998  |
| Debt service   | -  | -                                      | -                                 | -  |
| Capital projects   | -  | -                                      | -                                 | -  |
| Total expenditures   | -  | -                                      | -                                 | 7,998  |
| Excess (deficiency) of revenues over<br>(under) expenditures | 4,248  | -                                      | 10                                | (5,075)  |
| Other financing sources (uses):                              |  |  |                                   |  |
| Transfers in   | -  | -                                      | -                                 | 3,215  |
| Transfers out  | -  | -                                      | -                                 | -  |
| Total other financing sources (uses)                         | -  | -                                      | -                                 | 3,215  |
| Change in fund balances                                      | 4,248  | -                                      | 10                                | (1,860)  |
| Fund balances beginning of year                              | 34,129                                       | 27,402                                 | 762                               | 2,693  |
| Fund balances end of year                                    | \$ 38,377                                    | 27,402                                 | 772                               | 833  |

See accompanying independent auditor's report.

| Revenue         |        |                       |  |  |                 |           |  |
|-----------------|--------|-----------------------|--|--|-----------------|-----------|--|
| DARE<br>Program | Canine | Conservation<br>Trust | Resource<br>Enhancement<br>and<br>Protection | Logistics<br>Tax<br>Increment<br>Financing | Debt<br>Service | Total     |  |
| -               | -      | -                     | -  | -  | 244,254         | 244,254   |  |
| -               | -      | -                     | -  | 489,252                                    | -               | 489,252   |  |
| -               | -      | 364,623               | 60,370                                       | 28,397                                     | 19,594          | 472,984   |  |
| -               | -      | -                     | -  | -  | -               | 2,898     |  |
| -               | -      | 5,525                 | 1,048  | 3,352                                      | 2,058           | 16,266    |  |
| -               | -      | 57,402                | -  | -  | -               | 57,402    |  |
| -               | -      | 427,550               | 61,418                                       | 521,001                                    | 265,906         | 1,283,056 |  |
| -               | -      | 413,761               | 5,558  | 78,748                                     | -               | 498,067   |  |
| -               | -      | -                     | -  | -  | -               | 7,998     |  |
| -               | -      | -                     | -  | -  | 587,616         | 587,616   |  |
| -               | -      | -                     | 126,317                                      | -  | -               | 126,317   |  |
| -               | -      | 413,761               | 131,875                                      | 78,748                                     | 587,616         | 1,219,998 |  |
| -               | -      | 13,789                | (70,457)                                     | 442,253                                    | (321,710)       | 63,058    |  |
| -               | -      | 60,500                | -  | -  | 363,616         | 427,331   |  |
| -               | -      | -                     | -  | (363,616)                                  | -               | (363,616) |  |
| -               | -      | 60,500                | -  | (363,616)                                  | 363,616         | 63,715    |  |
| -               | -      | 74,289                | (70,457)                                     | 78,637                                     | 41,906          | 126,773   |  |
| 1,205           | 2,008  | 445,404               | 101,199                                      | 85,733                                     | 38,940          | 739,475   |  |
| 1,205           | 2,008  | 519,693               | 30,742                                       | 164,370                                    | 80,846          | 866,248   |  |



Butler County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2019

|                               | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Schools           | Community<br>Colleges |
|-------------------------------|-------------------|--|--------------------|-------------------|-----------------------|
| <b>Assets</b>                 |                   |  |                    |                   |                       |
| Cash and pooled investments:  |                   |  |                    |                   |                       |
| County Treasurer              | \$ -              | 898                                    | 273,201            | 47,023            | 3,560                 |
| Other County officials        | 140,821           | -                                      | -                  | -                 | -                     |
| Receivables:                  |                   |  |                    |                   |                       |
| Property tax:                 |                   |  |                    |                   |                       |
| Delinquent                    | -                 | 346                                    | 684                | 19,121            | 1,220                 |
| Succeeding year               | -                 | 219,000                                | 464,000            | 10,773,000        | 885,000               |
| Accounts                      | -                 | -                                      | -                  | -                 | -                     |
| Special assessments           | -                 | -                                      | -                  | -                 | -                     |
| Due from other governments    | -                 | -                                      | 195                | -                 | -                     |
| <b>Total assets</b>           | <b>\$ 140,821</b> | <b>220,244</b>                         | <b>738,080</b>     | <b>10,839,144</b> | <b>889,780</b>        |
| <b>Liabilities</b>            |                   |  |                    |                   |                       |
| Accounts payable              | \$ -              | -                                      | 422                | -                 | -                     |
| Salaries and benefits payable | -                 | -                                      | 7,888              | -                 | -                     |
| Due to other governments      | 29,216            | 220,244                                | 723,686            | 10,839,144        | 889,780               |
| Trusts payable                | 111,605           | -                                      | -                  | -                 | -                     |
| Compensated absences          | -                 | -                                      | 6,084              | -                 | -                     |
| <b>Total liabilities</b>      | <b>\$ 140,821</b> | <b>220,244</b>                         | <b>738,080</b>     | <b>10,839,144</b> | <b>889,780</b>        |

See accompanying independent auditor's report.

| Corporations     | Townships      | City<br>Special<br>Assessments | Auto<br>License<br>and<br>Use Tax | County<br>Social<br>Services | Empowerment<br>Board | Other          | Total             |
|------------------|----------------|--------------------------------|-----------------------------------|------------------------------|----------------------|----------------|-------------------|
| 53,926           | 540            | 42,182                         | 423,262                           | 9,402,667                    | 152,038              | 536,188        | 10,935,485        |
| -                | -              | -                              | -                                 | -                            | -                    | -              | 140,821           |
| 10,440           | 125            | -                              | -                                 | -                            | -                    | 4              | 31,940            |
| 4,344,000        | 282,000        | -                              | -                                 | -                            | -                    | 2,000          | 16,969,000        |
| -                | -              | -                              | -                                 | 2,285                        | -                    | 7,331          | 9,616             |
| -                | -              | 32,441                         | -                                 | -                            | -                    | -              | 32,441            |
| -                | -              | -                              | -                                 | 237,162                      | -                    | 94,348         | 331,705           |
| <b>4,408,366</b> | <b>282,665</b> | <b>74,623</b>                  | <b>423,262</b>                    | <b>9,642,114</b>             | <b>152,038</b>       | <b>639,871</b> | <b>28,451,008</b> |
| -                | -              | -                              | -                                 | 990,042                      | 59,893               | 30,412         | 1,080,769         |
| -                | -              | -                              | -                                 | -                            | -                    | 1,112          | 9,000             |
| 4,408,366        | 282,665        | 74,623                         | 423,262                           | 8,652,072                    | 92,145               | 607,201        | 27,242,404        |
| -                | -              | -                              | -                                 | -                            | -                    | -              | 111,605           |
| -                | -              | -                              | -                                 | -                            | -                    | 1,146          | 7,230             |
| <b>4,408,366</b> | <b>282,665</b> | <b>74,623</b>                  | <b>423,262</b>                    | <b>9,642,114</b>             | <b>152,038</b>       | <b>639,871</b> | <b>28,451,008</b> |

Butler County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2019

| <b>Assets and Liabilities</b>      | County     | Agricultural           | County   |            | Community |
|------------------------------------|------------|------------------------|----------|------------|-----------|
|                                    | Offices    | Extension<br>Education | Assessor | Schools    | Colleges  |
| Balances beginning of year         | \$ 110,370 | 200,158                | 605,672  | 10,330,587 | 781,397   |
| Additions:                         |            |                        |          |            |           |
| Property and other county tax      | -          | 224,686                | 475,719  | 11,052,292 | 909,200   |
| 911 surcharge                      | -          | -                      | -        | -          | -         |
| State tax credits                  | -          | 16,289                 | 32,214   | 845,264    | 63,422    |
| Office fees and collections        | 505,900    | -                      | -        | -          | -         |
| Auto licenses, use tax and postage | -          | -                      | -        | -          | -         |
| Assessments                        | -          | -                      | -        | -          | -         |
| Trusts                             | 112,989    | -                      | -        | -          | -         |
| Miscellaneous                      | -          | -                      | 1,352    | -          | -         |
| Total additions                    | 618,889    | 240,975                | 509,285  | 11,897,556 | 972,622   |
| Deductions:                        |            |                        |          |            |           |
| Agency remittances:                |            |                        |          |            |           |
| To other funds                     | 120,585    | -                      | -        | -          | -         |
| To other governments               | 286,575    | 220,889                | 376,877  | 11,388,999 | 864,239   |
| Trusts paid out                    | 181,278    | -                      | -        | -          | -         |
| Total deductions                   | 588,438    | 220,889                | 376,877  | 11,388,999 | 864,239   |
| Balances end of year               | \$ 140,821 | 220,244                | 738,080  | 10,839,144 | 889,780   |

See accompanying independent auditor's report.

| Corporations | Townships | City<br>Special<br>Assessments | Auto<br>License<br>and<br>Use Tax | County<br>Social<br>Services | Empowerment<br>Board | Other   | Total      |
|--------------|-----------|--------------------------------|-----------------------------------|------------------------------|----------------------|---------|------------|
| 4,404,660    | 272,943   | 64,606                         | 427,397                           | 5,298,903                    | 134,199              | 491,608 | 23,122,500 |
|              |           |                                |                                   | -                            |                      |         |            |
| 4,072,692    | 299,977   | -                              | -                                 | -                            | -                    | 2,352   | 17,036,918 |
| -            | -         | -                              | -                                 | -                            | -                    | 220,980 | 220,980    |
| 548,862      | 17,196    | -                              | -                                 | -                            | -                    | 187     | 1,523,434  |
| -            | -         | -                              | -                                 | -                            | -                    | 2,906   | 508,806    |
| -            | -         | -                              | 5,150,071                         | -                            | -                    | 230     | 5,150,301  |
| -            | -         | 18,649                         | -                                 | -                            | -                    | 1,011   | 19,660     |
| -            | -         | -                              | -                                 | -                            | -                    | -       | 112,989    |
| -            | -         | -                              | -                                 | 18,719,784                   | 527,114              | 227,373 | 19,475,623 |
| 4,621,554    | 317,173   | 18,649                         | 5,150,071                         | 18,719,784                   | 527,114              | 455,039 | 44,048,711 |
|              |           |                                |                                   |                              |                      |         |            |
| -            | -         | -                              | 182,696                           | -                            | -                    | -       | 303,281    |
| 4,617,848    | 307,451   | 8,632                          | 4,971,510                         | 14,376,573                   | 509,275              | 306,776 | 38,235,644 |
| -            | -         | -                              | -                                 | -                            | -                    | -       | 181,278    |
| 4,617,848    | 307,451   | 8,632                          | 5,154,206                         | 14,376,573                   | 509,275              | 306,776 | 38,720,203 |
| 4,408,366    | 282,665   | 74,623                         | 423,262                           | 9,642,114                    | 152,038              | 639,871 | 28,451,008 |

Butler County

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

For the Last Ten Years

|                                      | 2019                 | 2018              | 2017              | 2016              |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|
| <b>Revenues:</b>                     |                      |                   |                   |                   |
| Property and other county tax        | \$ 7,360,752         | 7,097,767         | 6,776,810         | 6,689,100         |
| Local option sales tax               | 478,156              | 452,420           | 469,745           | 417,764           |
| Interest and penalty on property tax | 33,610               | 31,827            | 34,389            | 37,623            |
| Intergovernmental                    | 6,794,981            | 6,468,274         | 7,126,988         | 6,196,378         |
| Licenses and permits                 | 41,650               | 44,685            | 48,168            | 37,306            |
| Charges for service                  | 486,892              | 497,548           | 511,258           | 487,784           |
| Use of money and property            | 326,244              | 349,327           | 310,778           | 351,087           |
| Miscellaneous                        | 383,903              | 476,772           | 299,251           | 289,515           |
| <b>Total</b>                         | <b>\$ 15,906,188</b> | <b>15,418,620</b> | <b>15,577,387</b> | <b>14,506,557</b> |
| <b>Expenditures:</b>                 |                      |                   |                   |                   |
| <b>Operating:</b>                    |                      |                   |                   |                   |
| Public safety and legal services     | \$ 2,301,550         | 2,233,353         | 2,177,752         | 2,144,575         |
| Physical health and social services  | 1,287,662            | 1,291,648         | 1,331,837         | 1,347,304         |
| Mental health                        | 692,300              | 640,392           | 558,741           | 491,015           |
| County environment and education     | 2,849,835            | 797,685           | 861,562           | 1,045,147         |
| Roads and transportation             | 6,461,651            | 5,965,948         | 5,409,166         | 5,021,094         |
| Governmental services to residents   | 522,539              | 535,993           | 582,905           | 557,884           |
| Administration                       | 1,710,559            | 1,830,127         | 1,638,612         | 1,542,778         |
| Non-program                          | 15,450               | 772               | 1,396             | -                 |
| Debt service                         | 587,616              | 705,109           | 590,740           | 619,495           |
| Capital projects                     | 1,548,497            | 2,263,375         | 1,677,951         | 1,982,515         |
| <b>Total</b>                         | <b>\$ 17,977,659</b> | <b>16,264,402</b> | <b>14,830,662</b> | <b>14,751,807</b> |

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

See accompanying independent auditor's report.

| 2015*      | 2014*      | 2013*      | 2012*      | 2011*      | 2010       |
|------------|------------|------------|------------|------------|------------|
| 6,422,005  | 6,040,620  | 5,824,270  | 5,697,329  | 5,114,544  | 4,916,248  |
| 517,570    | 435,912    | 475,028    | 410,548    | 462,876    | 442,994    |
| 44,469     | 49,954     | 45,381     | 41,774     | 48,872     | 47,053     |
| 29,390,297 | 28,126,789 | 24,263,804 | 37,301,942 | 27,394,705 | 5,797,705  |
| 37,672     | 38,434     | 22,980     | 19,470     | 15,030     | 15,565     |
| 462,377    | 520,783    | 527,185    | 649,824    | 478,693    | 481,389    |
| 386,431    | 410,827    | 411,239    | 410,976    | 494,374    | 413,591    |
| 387,909    | 708,110    | 467,648    | 280,161    | 291,830    | 241,445    |
| 37,648,730 | 36,331,429 | 32,037,535 | 44,812,024 | 34,300,924 | 12,355,990 |
| 2,098,923  | 2,025,585  | 1,974,728  | 1,985,563  | 1,811,092  | 1,762,804  |
| 1,391,917  | 1,264,472  | 1,232,634  | 1,321,121  | 1,440,316  | 1,423,468  |
| 26,344,911 | 21,001,701 | 20,908,988 | 31,106,457 | 24,384,286 | 1,305,470  |
| 726,612    | 726,629    | 692,881    | 739,409    | 648,780    | 671,898    |
| 4,961,583  | 4,812,337  | 4,582,866  | 6,036,761  | 5,042,205  | 4,451,830  |
| 650,844    | 505,399    | 472,805    | 471,289    | 428,521    | 446,943    |
| 1,677,803  | 1,550,620  | 1,528,108  | 1,476,114  | 1,501,098  | 1,351,304  |
| -          | -          | 36,118     | 1,184      | 17,785     | 39,702     |
| 544,341    | 534,736    | 493,776    | 238,647    | 77,372     | 38,942     |
| 1,226,381  | 1,929,672  | 522,641    | 1,975,248  | 2,277,336  | 643,210    |
| 39,623,315 | 34,351,151 | 32,445,545 | 45,351,793 | 37,628,791 | 12,135,571 |



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

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, 2019, 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, 2020.

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, 2019 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.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

March 12, 2020



Butler County  
Schedule of Findings  
Year ended June 30, 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 part of the year. Once prepared, it was not reviewed on a test basis by an independent person.
- (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) Responsibilities for approving disbursements and issuing checks are not segregated from recording and accounting for cash.

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.

Butler County  
Schedule of Findings  
Year ended June 30, 2019

(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 inventory and infrastructure additions 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 and other 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 inventory and infrastructure are identified and properly reported in the County's financial statements.

Response – The County will work to implement procedures to verify transactions and year-end inventory in future year's reporting.

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 receipts deposited by the County Treasurer's office were identified which were not deposited timely. The forty receipts, totaling \$262,598, were deposited 21 to 68 days from the State of Iowa warrant date.

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.

Butler County

Schedule of Findings

Year ended June 30, 2019

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

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Butler County  
Schedule of Findings  
Year ended June 30, 2019

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 did not exceed the amounts budgeted.
- (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, 2019 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.

Butler County

Schedule of Findings

Year ended June 30, 2019

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

The County understated the amount reported as TIF debt outstanding on the Levy Authority Summary. In addition, the beginning and ending balances and the amount reported as expenditures on the Levy Authority Summary does not agree with the County's general ledger.

Recommendation – The County should ensure the TIF debt outstanding, the beginning and ending balances and expenditures reported in the Levy Authority Summary agree with and are supported by the County's records.

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

Conclusion – Response accepted.

- (12) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The County Sheriff and Recorder do not receive an image of the back of each cancelled check.

Recommendation – The County Sheriff and Recorder should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

Responses –

County Sheriff – We will request the bank include both sides.

County Recorder – We will contact the bank and start receiving images of the backs of checks.

Conclusion – Responses accepted.

Butler County

Staff

This audit was performed by:

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