



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

February 1, 2008

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$16,966,535 for the year ended June 30, 2007, which included \$1,187,205 in tax credits from the state. The County forwarded \$12,981,173 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,985,362 of the local tax revenue to finance County operations, a 2.5% increase over the prior year. Other revenues included charges for service of \$900,959, operating grants, contributions and restricted interest of \$4,694,632, capital grants, contributions and restricted interest of \$1,859,481, local option sales tax of \$400,484, unrestricted investment earnings of \$245,523 and other general revenues of \$531,012.

Expenses for County operations totaled \$11,231,115, a 5.7% increase over the prior year. Expenses included \$4,609,740 for roads and transportation, \$1,588,054 for public safety and legal services and \$1,446,563 for mental health.

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

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BUTLER COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2007

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Butler County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2007)		
Ken Oldenburger	Board of Supervisors	Jan 2007
John Zimmerman	Board of Supervisors	Jan 2007
Larry Backer	Board of Supervisors	Jan 2009
Holly A. Fokkena	County Auditor	Jan 2009
Louise Squires	County Treasurer	Jan 2007
Craig J. Franken	County Recorder	Jan 2007
Jason Johnson	County Sheriff	Nov 2006
Gregory M. Lievens	County Attorney	Jan 2007
Deborah McWhirter	County Assessor	Jan 2010
(After January 2007)		
Larry Backer	Board of Supervisors	Jan 2009
Ken Oldenburger	Board of Supervisors	Jan 2011
John Zimmerman	Board of Supervisors	Jan 2011
Holly A. Fokkena	County Auditor	Jan 2009
Louise Squires	County Treasurer	Jan 2011
Craig J. Franken	County Recorder	Jan 2011
Jason Johnson	County Sheriff	Jan 2009
Gregory M. Lievens	County Attorney	Jan 2011
Deborah McWhirter	County Assessor	Jan 2010

Butler County



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Independent Auditor's Report

To the Officials of Butler County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Butler County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Butler County at June 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

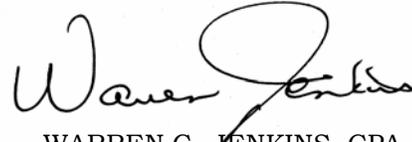
In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2007 on our consideration of Butler County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Butler County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 16, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Butler County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Governmental fund revenues increased approximately \$302,000 from fiscal 2006 to fiscal 2007. Property taxes and other county tax increased approximately \$221,000, or 6%.
- Governmental fund expenditures were approximately \$22,000 less in fiscal 2007 than in fiscal 2006. Mental health expenditures increased approximately \$161,000 due to increases in services. Public safety and legal services expenditures increased approximately \$85,000, largely due to replacement of Sheriff's vehicles of approximately \$66,000. Capital projects expenditures decreased approximately \$211,000, largely due to a decrease of approximately \$250,000 in local roadway construction projects from the prior year.
- Net assets increased 7.3%, or \$1,386,338, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

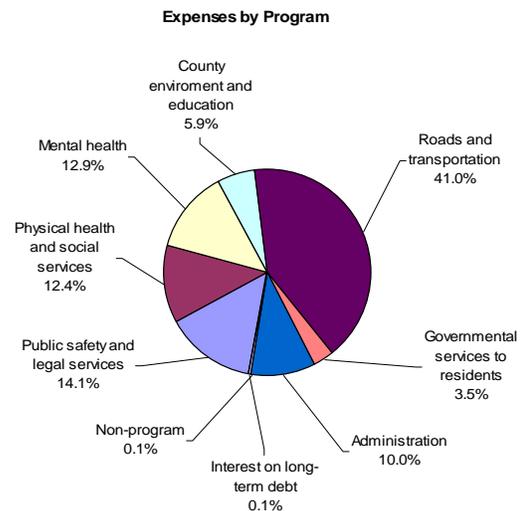
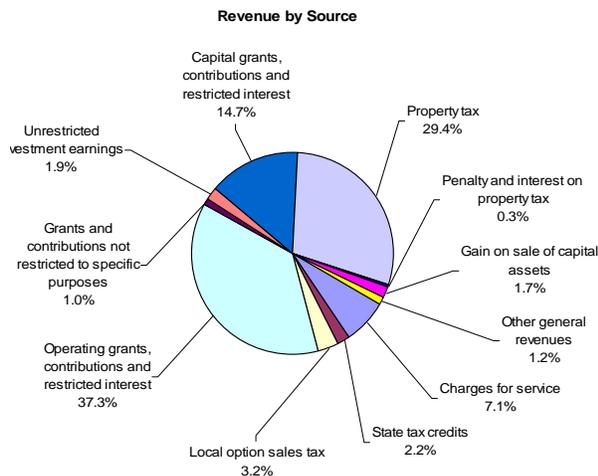
As noted earlier, net assets may serve over time as a useful indicator of financial position. Butler County's net assets at June 30, 2007 totaled \$20,281,470. This compares to \$18,895,132 at the end of fiscal 2006. The analysis that follows focuses on the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2007	2006
Current and other assets	\$ 11,317,749	11,392,771
Capital assets	14,617,720	12,603,946
Total assets	<u>25,935,469</u>	<u>23,996,717</u>
Long-term liabilities	589,767	580,845
Other liabilities	5,064,232	4,520,740
Total liabilities	<u>5,653,999</u>	<u>5,101,585</u>
Net assets:		
Invested in capital assets	14,617,720	12,603,946
Restricted	3,687,181	4,203,464
Unrestricted	1,976,569	2,087,722
Total net assets	<u>\$ 20,281,470</u>	<u>18,895,132</u>

Net assets of Butler County's governmental activities increased approximately \$1.4 million. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are approximately \$1,977,000 at June 30, 2007.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 900,959	976,349
Operating grants, contributions and restricted interest	4,694,632	4,626,830
Capital grants, contributions and restricted interest	1,859,481	1,749,454
General revenues:		
Property tax	3,713,182	3,616,973
Penalty and interest on property tax	31,670	31,023
State tax credits	272,180	270,249
Local option sales tax	400,484	361,660
Grants and contributions not restricted to specific purposes	131,503	143,879
Unrestricted investment earnings	245,523	220,287
Gain on sale of capital assets	219,235	86,460
Other general revenues	148,604	162,716
Total revenues	12,617,453	12,245,880
Program expenses:		
Public safety and legal services	1,588,054	1,511,521
Physical health and social services	1,389,373	1,385,695
Mental health	1,446,563	1,285,834
County environment and education	657,988	654,312
Roads and transportation	4,609,740	4,257,438
Governmental services to residents	397,646	386,832
Administration	1,119,080	1,131,950
Non-program	8,018	-
Interest on long-term debt	14,653	8,475
Total expenses	11,231,115	10,622,057
Increase in net assets	1,386,338	1,623,823
Net assets beginning of year	18,895,132	17,271,309
Net assets end of year	\$ 20,281,470	18,895,132



Butler County increased property tax rates for fiscal year 2007 by an average of 2.4 percent. The County increased the general basic property tax levy rate by \$0.20 per \$1,000 of taxable valuation. The mental health property tax levy rate decreased by \$0.02 per \$1,000 of taxable valuation. The rural services property tax levy rate was unchanged. Property tax revenues for fiscal year 2008 are budgeted to increase approximately \$516,000 due to an increase in property valuation of just under \$20,000,000 and an increase in levy rates of \$0.70 per \$1,000 of taxable valuation.

INDIVIDUAL MAJOR FUND ANALYSIS

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

- The General Fund, the operating fund for Butler County, ended fiscal 2007 with a fund balance of \$1,995,081. This was a decrease from fiscal 2006, which ended at \$2,114,419. There were no significant changes in revenue or expenditures.
- The Special Revenue, Mental Health Fund balance ended fiscal 2007 with a negative fund balance of \$54,090. This is a \$128,411 decrease from the prior year due to increased expenditures for services to clients.
- The Special Revenue, Rural Services Fund ended fiscal 2007 with a fund balance of \$618,862, a decrease of \$191,643 from the ending balance for fiscal 2006. There were no significant changes in revenue or expenditures.
- The Special Revenue, Secondary Roads Fund ended fiscal 2007 with a fund balance of \$3,007,219. This is a decrease of \$234,191. There were no significant changes in revenues or expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, Butler County amended its budget two times. The first amendment was made in February 2007 and resulted in an increase in budgeted disbursements of \$118,000 to cover increased costs for MH, MR & DD client care, as well as miscellaneous election and self-insurance costs.

The second amendment occurred in June 2007. This amendment resulted in increased budgeted disbursements of \$231,500. Of that amount, \$190,000 was once again to cover increased costs of MH, MR & DD client care. The remainder was to cover increased costs of youth shelter and detention of juveniles and miscellaneous computer equipment.

The County's receipts were \$340,724 more than budgeted, a variance of 3.3% due to increased earnings on investments and increased miscellaneous revenues.

Total disbursements were \$1,464,828 less than the amended budget. Capital projects disbursements were \$988,237 less than budgeted due to a delay in paving the bike trail and reduced roadway spending. The remaining decrease of \$476,591 was accomplished by reduced spending in all areas.

The County did not exceed the budgeted amounts in any of the function areas for the year ended June 30, 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Butler County had approximately \$14.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2 million over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2007	2006
Land	\$ 374,570	374,570
Construction in progress	91,223	206,859
Buildings	104,464	111,356
Improvements other than buildings	-	162,404
Equipment and vehicles	4,045,230	3,836,585
Infrastructure	10,002,233	7,912,172
Total	<u>\$ 14,617,720</u>	<u>12,603,946</u>
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation	\$ 1,928,732	1,684,972
Replacement of two dump trucks and other Secondary Roads equipment	585,573	765,080
Bike trail paving project at Heery Woods and Wilder Park	153,923	165,157
Election equipment	-	75,100
Capital assets contributed by Homeland Security	66,249	-
Replacement of three Sheriff's vehicles	64,060	-
Total	<u>\$ 2,798,537</u>	<u>2,690,309</u>

The County had total accumulated depreciation of approximately \$7.4 million at June 30, 2007. The County's fiscal year 2007 capital projects budget included \$1,713,413 for capital projects, principally for completion of a county conservation bike trail and several bridge projects. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2007, Butler County had \$283,917 in outstanding general obligation capital loan notes, compared to \$307,906 at June 30, 2006.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Butler County's outstanding general obligation debt is significantly below its constitutional debt limit of \$26 million. Additional information about the County's long-term debt is presented in Notes 6 and 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Butler County's officials considered many factors when setting the fiscal year 2008 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County for the period from June 2006 to June 2007 was 3.9%. This was slightly higher than the State's unemployment rate of 3.5% but well below the national rate of 4.5% for the same period.

For this budget year, the item of most concern remained the ever increasing costs of health insurance for employees.

Carryforward cash amounts available for appropriation in the General Fund budget are \$1.4 million. Budgeted receipts increased approximately \$735,000, due mostly to increased property taxes over the prior year. Budgeted disbursements and other financial uses in all funds increased by approximately \$445,000.

The County has added no major new programs or initiatives to the 2008 budget. However, increased disbursements are anticipated to finalize the bike trail project.

If these estimates are realized, the County's major fund balances are expected to decrease by approximately \$2 million at the close of 2008.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Butler County

Basic Financial Statements

Exhibit A

Butler County
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,172,002
Receivables:	
Property tax:	
Delinquent	21,093
Succeeding year	4,540,000
Interest and penalty on property tax	58,567
Accounts	23,510
Economic development loans	88,037
E911 lease	283,917
Accrued interest	20,903
Due from other governments	541,015
Inventories	377,767
Prepaid insurance	190,938
Capital assets (net of accumulated depreciation)	14,617,720
	<u>25,935,469</u>
Total assets	<u>25,935,469</u>
Liabilities	
Accounts payable	208,048
Salaries and benefits payable	97,932
Accrued interest payable	3,539
Due to other governments	214,713
Deferred revenue:	
Succeeding year property tax	4,540,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital loan notes	25,184
Compensated absences	245,903
Portion due or payable after one year:	
Capital loan notes	258,733
Compensated absences	59,947
	<u>5,653,999</u>
Total liabilities	<u>5,653,999</u>
Net Assets	
Invested in capital assets	14,617,720
Restricted for:	
Supplemental levy purposes	58,750
Secondary roads purposes	3,007,219
Other purposes	621,212
Unrestricted	1,976,569
	<u>20,281,470</u>
Total net assets	<u>\$ 20,281,470</u>

See notes to financial statements.

Butler County
Statement of Activities
Year ended June 30, 2007

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,588,054	207,022	2,550	66,249	(1,312,233)
Physical health and social services	1,389,373	349,572	966,602	-	(73,199)
Mental health	1,446,563	2,848	924,765	-	(518,950)
County environment and education	657,988	44,163	68,179	-	(545,646)
Roads and transportation	4,609,740	51,167	2,717,560	1,793,232	(47,781)
Governmental services to residents	397,646	230,525	14,976	-	(152,145)
Administration	1,119,080	15,662	-	-	(1,103,418)
Non-program	8,018	-	-	-	(8,018)
Interest on long-term debt	14,653	-	-	-	(14,653)
Total	\$ 11,231,115	900,959	4,694,632	1,859,481	(3,776,043)
General Revenues:					
Property and other county tax levied for general purposes					3,713,182
Penalty and interest on property tax					31,670
State tax credits					272,180
Local option sales tax					400,484
Grants and contributions not restricted to specific purpose					131,503
Unrestricted investment earnings					245,523
Gain on disposition of capital assets					219,235
Miscellaneous					148,604
Total general revenues					5,162,381
Change in net assets					1,386,338
Net assets beginning of year					18,895,132
Net assets end of year					\$ 20,281,470

See notes to financial statements.

Butler County
Balance Sheet
Governmental Funds

June 30, 2007

	General	Special Revenue	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,497,409	168,223	556,733
Receivables:			
Property tax:			
Delinquent	12,148	1,968	6,977
Succeeding year	2,759,000	389,000	1,392,000
Interest and penalty on property tax	58,567	-	-
Accounts	16,798	-	60
Economic development loans	-	-	-
E911 lease	283,917	-	-
Accrued interest	20,903	-	-
Due from other governments	206,081	1,812	70,865
Inventories	-	-	-
Prepaid insurance	100,513	-	-
Total assets	\$ 4,955,336	561,003	2,026,635
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 52,357	30,120	2,421
Salaries and benefits payable	61,463	6	4,775
Due to other governments	16,720	192,411	1,600
Deferred revenue:			
Succeeding year property tax	2,759,000	389,000	1,392,000
Other	70,715	3,556	6,977
Total liabilities	2,960,255	615,093	1,407,773
Fund balances:			
Reserved for:			
Supplemental levy purposes	58,750	-	-
E911 lease receivable	283,917	-	-
Prepaid insurance	100,513	-	-
Unreserved:			
Undesignated, reported in:			
General fund	1,551,901	-	-
Special revenue funds	-	(54,090)	618,862
Total fund balances	1,995,081	(54,090)	618,862
Total liabilities and fund balances	\$ 4,955,336	561,003	2,026,635

See notes to financial statements.

Secondary Roads	Nonmajor	Total
2,432,053	517,584	5,172,002
-	-	21,093
-	-	4,540,000
-	-	58,567
6,393	259	23,510
-	88,037	88,037
-	-	283,917
-	-	20,903
259,249	3,008	541,015
377,767	-	377,767
90,425	-	190,938
<u>3,165,887</u>	<u>608,888</u>	<u>11,317,749</u>
122,998	152	208,048
31,688	-	97,932
3,982	-	214,713
-	-	4,540,000
-	88,037	169,285
<u>158,668</u>	<u>88,189</u>	<u>5,229,978</u>
-	-	58,750
-	-	283,917
-	-	100,513
-	-	1,551,901
3,007,219	520,699	4,092,690
<u>3,007,219</u>	<u>520,699</u>	<u>6,087,771</u>
<u>3,165,887</u>	<u>608,888</u>	<u>11,317,749</u>

Butler County

Butler County

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

June 30, 2007

Total governmental fund balances (page 19) \$ 6,087,771

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$22,000,456 and the accumulated depreciation is \$7,382,736 14,617,720

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 169,285

Long-term liabilities, including notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (593,306)

Net assets of governmental activities (page 16) \$ 20,281,470

See notes to financial statements.

Butler County

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

Year ended June 30, 2007

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,239,384	362,762	1,341,922
Interest and penalty on property tax	31,670	-	-
Intergovernmental	1,403,462	952,542	234,811
Licenses and permits	-	-	7,805
Charges for service	439,725	2,848	1,350
Use of money and property	321,344	-	-
Miscellaneous	118,447	-	5,511
Total revenues	4,554,032	1,318,152	1,591,399
Expenditures:			
Operating:			
Public safety and legal services	1,132,142	-	378,499
Physical health and social services	1,384,986	-	-
Mental health	-	1,446,563	-
County environment and education	289,657	-	293,962
Roads and transportation	-	-	48,164
Governmental services to residents	380,183	-	6,737
Administration	1,140,654	-	-
Non-program	7,018	-	-
Debt service	38,941	-	-
Capital projects	209,202	-	-
Total expenditures	4,582,783	1,446,563	727,362
Excess (deficiency) of revenues over (under) expenditures	(28,751)	(128,411)	864,037
Other financing sources (uses):			
Disposition of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(90,587)	-	(1,055,680)
Total other financing sources (uses)	(90,587)	-	(1,055,680)
Net change in fund balances	(119,338)	(128,411)	(191,643)
Fund balances beginning of year	2,114,419	74,321	810,505
Fund balances end of year	\$ 1,995,081	(54,090)	618,862

See notes to financial statements.

Secondary Roads	Nonmajor	Total
200,242	-	4,144,310
-	-	31,670
2,780,930	11,169	5,382,914
1,830	-	9,635
7,388	3,641	454,952
2,966	76,889	401,199
86,799	23,217	233,974
3,080,155	114,916	10,658,654
-	85	1,510,726
-	-	1,384,986
-	-	1,446,563
-	33,095	616,714
3,922,132	-	3,970,296
-	-	386,920
-	1,616	1,142,270
-	-	7,018
-	-	38,941
498,594	17,380	725,176
4,420,726	52,176	11,229,610
(1,340,571)	62,740	(570,956)
700	-	700
1,105,680	40,587	1,146,267
-	-	(1,146,267)
1,106,380	40,587	700
(234,191)	103,327	(570,256)
3,241,410	417,372	6,658,027
3,007,219	520,699	6,087,771

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, 2007

Net change in fund balances - Total governmental funds (page 23) \$ (570,256)

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

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

Expenditures for capital assets	\$ 968,143	
Capital assets contributed by the Iowa Department of Transportation Security	1,793,232	
	66,249	
Depreciation expense	<u>(1,032,385)</u>	1,795,239

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. 218,535

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

Property tax	(30,644)	
Other	<u>(17,913)</u>	(48,557)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment decreases long-term liabilities in the Statement of Net Assets. 23,989

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	(32,911)	
Interest on long-term debt	<u>299</u>	(32,612)

Change in net assets of governmental activities (page 17) \$ 1,386,338

See notes to financial statements.

Butler County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,220,711
Other county officials	106,843
Receivables:	
Property tax:	
Delinquent	54,565
Succeeding year	12,965,000
Accounts	24,974
Special assessments	236,163
Due from other governments	11,133
Total assets	14,619,389

Liabilities

Accounts payable	90,682
Salaries and benefits payable	5,333
Due to other governments	14,424,585
Trusts payable	92,123
Compensated absences	6,666
Total liabilities	14,619,389

Net assets	\$ -
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See notes to financial statements.

Butler County

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and comp hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 50,000
	Special Revenue:	
	Rural Services	1,055,680
Conservation Land Acquisition	General	40,587
Total		<u>\$ 1,146,267</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, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 374,570	-	-	374,570
Construction in progress	206,859	2,025,472	(2,141,108)	91,223
Total capital assets not being depreciated	581,429	2,025,472	(2,141,108)	465,793
Capital assets being depreciated:				
Buildings	1,868,199	-	-	1,868,199
Improvements other than buildings	165,157	-	(165,157)	-
Equipment and vehicles	8,432,405	865,313	(480,050)	8,817,668
Infrastructure, other	414,234	319,080	-	733,314
Infrastructure, road network	7,974,374	2,141,108	-	10,115,482
Total capital assets being depreciated	18,854,369	3,325,501	(645,207)	21,534,663
Less accumulated depreciation for:				
Buildings	1,756,843	6,891	-	1,763,734
Improvements other than buildings	2,753	-	(2,753)	-
Equipment and vehicles	4,595,820	655,367	(478,748)	4,772,439
Infrastructure, other	27,616	18,566	-	46,182
Infrastructure, road network	448,820	351,561	-	800,381
Total accumulated depreciation	6,831,852	1,032,385	(481,501)	7,382,736
Total capital assets being depreciated, net	12,022,517	2,293,116	(163,706)	14,151,927
Governmental activities capital assets, net	\$ 12,603,946	4,318,588	(2,304,814)	14,617,720

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 131,270
County environment and education	27,522
Roads and transportation	808,552
Governmental services to residents	15,831
Administration	49,210
Total depreciation expense - governmental activities	<u>\$ 1,032,385</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 is as follows:

Fund	Description	Amount
General	Services	\$ 16,720
Special Revenue:		
Mental Health	Services	192,411
Rural Services	Services	1,600
Secondary Roads	Services	3,982
		<u>197,993</u>
Total for governmental funds		<u>\$ 214,713</u>
Agency:		
Agricultural Extension Education	Collections	\$ 132,671
County Assessor		398,404
Schools		8,619,714
Community Colleges		456,782
Corporations		3,476,324
Townships		223,451
City Special Assessments		239,472
Auto License and Use Tax		294,662
Empowerment Board	Collections	434,109
All other		148,996
Total for agency funds		<u>\$ 14,424,585</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	General Obligation Capital Loan Notes	Compen- sated Absences	Total
Balance beginning of year	\$ 307,906	272,939	580,845
Increases	-	297,966	297,966
Decreases	23,989	265,055	289,044
Balance end of year	<u>\$ 283,917</u>	<u>305,850</u>	<u>589,767</u>
Due within one year	<u>\$ 25,184</u>	<u>245,903</u>	<u>271,087</u>

(7) General Obligation Capital Loan Notes

General obligation capital loan notes totaling \$390,000 were issued on December 3, 2001 for the purpose of paying the costs of acquiring replacement equipment for use by the Butler County E911 Service Board. The notes are to be paid from the General Fund in quarterly payments of \$9,735, including interest of 5% per annum. The final payment is payable on May 1, 2016. The principal balance of the notes at June 30, 2007 totaled \$283,917.

(8) E911 Lease Receivable

The County entered into a lease agreement with the E911 Service Board. Under the agreement, the E911 Service Board is to make quarterly payments of \$9,735 to the County, an amount equal to the quarterly payment required on the capital loan notes, as detailed in Note 7 of the notes to financial statements. The quarterly principal and interest payments from the E911 Service Board are credited to the General Fund. The following is a schedule of the future minimum lease payments to be received by the County, including interest of 5% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2007.

Year ending June 30,	Total
2008	\$ 38,941
2009	38,941
2010	38,941
2011	38,941
2012	38,941
2013-2016	160,628
Total minimum lease payments	355,333
Less amount representing interest	(71,416)
Present value of net minimum lease payments	\$ 283,917

(9) Butler County Economic Development Revolving Loan Fund

Butler County has nineteen economic development loans receivable totaling \$88,037 at June 30, 2007 due from businesses located in Butler County. The loans were made to the businesses to promote economic development.

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

(10) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$232,649, \$217,803 and \$226,197, respectively, equal to the required contributions for each year.

(11) Risk Management

Butler County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 556 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/ machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2007 were \$160,915.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in

excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(12) Self-Funded Insurance Plan

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

Payments to the Self Insurance account were recorded as expenditures by the operating funds. Payments to R.D. Drenkow & Co., Inc. for service fees and medical claims for the year ended June 30, 2007 were \$31,166.

(13) Deficit Fund Balance

The Mental Health Fund had a deficit balance of \$54,090 at June 30, 2007. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of funds.

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, 2007

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 4,142,577	4,136,381	4,136,381	6,196
Interest and penalty on property tax	31,670	7,000	7,000	24,670
Intergovernmental	5,370,536	5,312,200	5,345,230	25,306
Licenses and permits	9,545	9,900	9,900	(355)
Charges for service	456,390	470,235	470,235	(13,845)
Use of money and property	422,148	290,114	290,114	132,034
Miscellaneous	254,518	85,650	87,800	166,718
Total receipts	10,687,384	10,311,480	10,346,660	340,724
Disbursements:				
Public safety and legal services	1,505,035	1,554,801	1,554,801	49,766
Physical health and social services	1,371,598	1,411,077	1,441,077	69,479
Mental health	1,508,630	1,240,000	1,513,000	4,370
County environment and education	615,267	702,117	702,117	86,850
Roads and transportation	3,921,480	4,077,000	4,087,000	165,520
Governmental services to residents	394,619	394,268	414,268	19,649
Administration	1,153,425	1,217,397	1,233,897	80,472
Non-program	7,017	7,500	7,500	483
Debt service	38,941	38,943	38,943	2
Capital projects	725,176	1,713,413	1,713,413	988,237
Total disbursements	11,241,188	12,356,516	12,706,016	1,464,828
Excess (deficiency) of receipts over (under) disbursements	(553,804)	(2,045,036)	(2,359,356)	1,805,552
Other financing sources, net	200	-	-	200
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(553,604)	(2,045,036)	(2,359,356)	1,805,752
Balance beginning of year	5,725,606	5,523,479	5,523,479	202,127
Balance end of year	\$ 5,172,002	3,478,443	3,164,123	2,007,879

See accompanying independent auditor's report.

Butler County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,687,384	(28,730)	10,658,654
Expenditures	11,241,188	(11,578)	11,229,610
Net	(553,804)	(17,152)	(570,956)
Other financing sources, net	200	500	700
Beginning fund balances	5,725,606	932,421	6,658,027
Ending fund balances	\$ 5,172,002	915,769	6,087,771

See accompanying independent auditor's report.

Butler County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$349,500. The budget amendments are reflected in the final budgeted amounts.

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

Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

Other Supplementary Information

Butler County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	Economic Development Revolving Loan	Sheriff's Commisary and Telephone	Seized and Forfeited Property	Sesquential Memorial
Assets				
Cash and pooled investments	\$ 120,284	6,772	3,755	852
Receivables:				
Accounts	-	159	-	-
Economic development loans	88,037	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 208,321	6,931	3,755	852
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 152	-	-	-
Deferred revenue	88,037	-	-	-
Total liabilities	88,189	-	-	-
Fund equity:				
Fund balances:				
Unrestricted	120,132	6,931	3,755	852
Total liabilities and fund equity	\$ 208,321	6,931	3,755	852

See accompanying independent auditor's report.

Special Revenue							
County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition	Conservation Trust	Resource Enhancement and Protection		Total
18,533	267	1,003	182,912	96,297	86,909		517,584
-	-	-	100	-	-		259
-	-	-	-	-	-		88,037
-	-	-	-	-	3,008		3,008
18,533	267	1,003	183,012	96,297	89,917		608,888
-	-	-	-	-	-		152
-	-	-	-	-	-		88,037
-	-	-	-	-	-		88,189
18,533	267	1,003	183,012	96,297	89,917		520,699
18,533	267	1,003	183,012	96,297	89,917		608,888

Butler County

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

Year ended June 30, 2007

	Special Revenue			
	Economic Development Revolving Loan	Sheriff's Commisary and Telephone	Seized and Forfeited Property	Sesquennial Memorial
Revenues:				
Intergovernmental	\$ -	-	-	-
Charges for service	-	-	-	-
Use of money and property	55,488	816	-	22
Miscellaneous	-	-	859	-
Total revenues	55,488	816	859	22
Expenditures:				
Operating:				
Public safety and legal services	-	-	85	-
County environment and education	33,065	-	-	30
Administration	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	33,065	-	85	30
Excess (deficiency) of revenues over (under) expenditures	22,423	816	774	(8)
Other financing sources:				
Operating transfers in	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	22,423	816	774	(8)
Fund balances beginning of year	97,709	6,115	2,981	860
Fund balances end of year	\$ 120,132	6,931	3,755	852

See accompanying independent auditor's report.

County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition	Conservation Trust	Resource Enhancement and Protection	Total
-	-	-	-	-	11,169	11,169
3,641	-	-	-	-	-	3,641
447	6	-	15,710	2,306	2,094	76,889
-	-	-	12,913	9,445	-	23,217
4,088	6	-	28,623	11,751	13,263	114,916
-	-	-	-	-	-	85
-	-	-	-	-	-	33,095
1,616	-	-	-	-	-	1,616
-	-	-	15,470	-	1,910	17,380
1,616	-	-	15,470	-	1,910	52,176
2,472	6	-	13,153	11,751	11,353	62,740
-	-	-	40,587	-	-	40,587
2,472	6	-	53,740	11,751	11,353	103,327
16,061	261	1,003	129,272	84,546	78,564	417,372
18,533	267	1,003	183,012	96,297	89,917	520,699

Butler County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	2,040	107,175	139,385
Other county officials	106,843	-	-	-
Receivables:				
Property tax:				
Delinquent	-	631	1,606	41,329
Succeeding year	-	130,000	301,000	8,439,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 106,843	132,671	409,781	8,619,714
Liabilities				
Accounts payable	\$ -	-	32	-
Salaries and benefits payable	-	-	4,679	-
Due to other governments	14,720	132,671	398,404	8,619,714
Trusts payable	92,123	-	-	-
Compensated absences	-	-	6,666	-
Total liabilities	\$ 106,843	132,671	409,781	8,619,714

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Other	Total
8,185	41,087	3,317	3,309	294,662	523,812	97,739	1,220,711
-	-	-	-	-	-	-	106,843
2,597	7,237	1,134	-	-	-	31	54,565
446,000	3,428,000	219,000	-	-	-	2,000	12,965,000
-	-	-	-	-	-	24,974	24,974
-	-	-	236,163	-	-	-	236,163
-	-	-	-	-	-	11,133	11,133
456,782	3,476,324	223,451	239,472	294,662	523,812	135,877	14,619,389
-	-	-	-	-	89,703	947	90,682
-	-	-	-	-	-	654	5,333
456,782	3,476,324	223,451	239,472	294,662	434,109	134,276	14,424,585
-	-	-	-	-	-	-	92,123
-	-	-	-	-	-	-	6,666
456,782	3,476,324	223,451	239,472	294,662	523,812	135,877	14,619,389

Butler County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 95,786	127,400	413,852	8,613,121
Additions:				
Property and other county tax	-	121,309	278,101	7,849,910
E911 surcharge	-	-	-	-
State tax credits	-	8,906	22,667	609,175
Office fees and collections	322,792	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	215,130	-	-	-
Miscellaneous	-	-	4,230	-
Total additions	537,922	130,215	304,998	8,459,085
Deductions:				
Agency remittances:				
To other funds	153,328	-	-	-
To other governments	173,700	124,944	309,069	8,452,492
Trusts paid out	199,837	-	-	-
Total deductions	526,865	124,944	309,069	8,452,492
Balances end of year	\$ 106,843	132,671	409,781	8,619,714

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Other	Total
513,335	3,329,041	200,013	240,977	282,203	368,758	93,903	14,278,389
411,515	3,197,841	205,488	-	-	-	1,984	12,066,148
-	-	-	-	-	-	147,017	147,017
35,713	224,250	13,271	891	-	-	152	915,025
-	-	-	-	-	-	-	322,792
-	-	-	-	3,445,886	-	-	3,445,886
-	-	-	81,028	-	-	-	81,028
-	-	-	-	-	-	-	215,130
-	-	-	-	-	905,528	38,596	948,354
447,228	3,422,091	218,759	81,919	3,445,886	905,528	187,749	18,141,380
-	-	-	-	-	-	-	153,328
503,781	3,274,808	195,321	83,424	3,433,427	750,474	145,775	17,447,215
-	-	-	-	-	-	-	199,837
503,781	3,274,808	195,321	83,424	3,433,427	750,474	145,775	17,800,380
456,782	3,476,324	223,451	239,472	294,662	523,812	135,877	14,619,389

Butler County

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

For the Last Seven Years

	Modified Accrual			
	2007	2006	2005	2004
Revenues:				
Property and other county tax	\$ 4,144,310	3,923,243	3,820,208	4,223,382
Interest and penalty on property tax	31,670	31,023	34,668	41,696
Intergovernmental	5,382,914	5,374,120	5,316,619	5,088,430
Licenses and permits	9,635	12,145	11,565	15,943
Charges for service	454,952	472,080	435,257	498,244
Use of money and property	401,199	320,098	257,798	265,270
Miscellaneous	233,974	224,330	293,094	189,405
Total	\$ 10,658,654	10,357,039	10,169,209	10,322,370
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,510,726	1,425,712	1,382,591	1,268,846
Physical health and social services	1,384,986	1,383,611	1,184,164	1,153,795
Mental health	1,446,563	1,285,834	1,165,030	1,114,860
County environment and education	616,714	624,155	561,758	588,832
Roads and transportation	3,970,296	3,975,554	3,747,559	3,559,552
Governmental services to residents	386,920	447,203	450,844	269,112
Administration	1,142,270	1,103,411	1,099,842	1,287,024
Non-program	7,018	-	60	-
Debt service	38,941	69,658	49,334	37,413
Capital projects	725,176	936,339	512,391	1,440,397
Total	\$ 11,229,610	11,251,477	10,153,573	10,719,831

See accompanying independent auditor's report.

Basis		
2003	2002	2001
3,961,242	4,102,879	3,974,387
35,204	39,466	40,118
5,847,451	5,469,286	5,360,586
6,510	6,230	5,140
452,385	410,082	352,713
304,188	345,162	480,185
261,049	126,284	108,295
10,868,029	10,499,389	10,321,424
1,263,978	1,112,635	1,046,865
1,236,351	1,174,052	1,096,568
1,114,443	1,093,461	1,082,024
1,306,388	746,221	505,722
3,636,570	3,437,410	3,757,953
245,312	237,434	195,727
1,241,945	1,174,029	1,064,626
832	-	342
45,052	7,880	2,880
754,202	1,041,571	639,672
10,845,073	10,024,693	9,392,379

Butler County



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

To the Officials of Butler County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated November 16, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects Butler County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood misstatement of Butler County's financial statements that is more than inconsequential will not be prevented or detected by Butler County's internal control. We consider deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Butler County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 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 findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Butler County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 16, 2007

Butler County

Schedule of Findings

Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Treasurer and Ag Extension
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Recorder, Treasurer and Ag Extension
(3) Bank accounts are not reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.	Recorder and Treasurer
(4) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash.	Recorder
(5) Certain disbursements and payroll claims information is not reviewed by an individual independent of claims posting. Personnel within the Department are not adequately cross-trained on all duties of the Department.	Engineer

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Officials should ensure personnel are cross-trained on duties of the Department to ensure adequate coverage of all Department responsibilities when necessary.

Response –

County Treasurer – We have several cash controls in place. At least two people reconcile monthly with daily cash-ups on a rotating basis between staff members. All staff members must perform various duties within the office to cover all hours of operation.

Butler County

Schedule of Findings

Year ended June 30, 2007

County Recorder – We segregate our duties as much as we can. I will sign the check Janice prepares from now on. Deposit preparation is done by Connie. Bank accounts are reconciled promptly by Janice and I recheck them. Janice prepares checks and I will sign them. I don't know of any other segregation we can do.

County Engineer – Procedures have been implemented to provide an independent review of disbursement and payroll claims. Payroll timesheets have been modified to facilitate review and posting into the system. Office personnel are cross-trained on payroll and disbursement claim posting into the system.

Ag Extension – Limited number of employees makes segregation of duties difficult and not practical. To provide internal control on the observed areas with no compensating controls, the office will have a part-time office assistant record all incoming checks on a daily log and cross-reference with deposit receipt. All checks and cash are receipted.

Conclusion –

County Treasurer – Response acknowledged. Rotated duties should be segregated to obtain the maximum internal control possible under the circumstances. Also, bank reconciliations should be performed by an independent person.

County Recorder – Response accepted.

County Engineer – Response accepted.

Ag Extension – Response acknowledged. Cash receipt duties should be segregated to the extent possible to obtain the maximum internal control under the circumstances.

- (B) Personnel Files – The County Sheriff should maintain personnel files for all employees (Deputies, Civil Deputy, Dispatcher(s) and Jailer(s)), to include performance evaluations, current pay rate, original employment application, any certifications which have been achieved and screenings and checks which have been done (drug screens, background checks, etc). The personnel file should also include current tax withholding information.

Recommendation – The County Sheriff should ensure all personnel files are current and include the above items.

Response – We are in the process of working on updating and enhancing personnel files. We have begun to record both verbal and written reprimands and currently maintain most of the above with the exception of tax information, and pay rates.

Conclusion- Response accepted.

Butler County
Schedule of Findings
Year ended June 30, 2007

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Butler County
Schedule of Findings
Year ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 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 – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tamara Fleshner, Public Health	CPR Training	\$ 750
Habbo Fokkena, Husband of County Auditor	Office rent	300

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

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (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, 2007 for the County Extension Office did not exceed the amount budgeted.

Butler County

Schedule of Findings

Year ended June 30, 2007

- (10) County Sheriff – Separate bank accounts were maintained for the receipts and disbursements for the DARE program. These receipts and disbursements were not reflected in the County’s accounting system and have not been included in the County’s annual budget or financial report.

Recommendation – All collections for the DARE Program should be remitted to the County Treasurer and all disbursements should be reflected in the County’s accounting system, annual budget and financial report. DARE account profits should be deposited with the County Treasurer and disbursements should be presented to the Board of Supervisors for approval and charged against the budget.

Response – We are aware of the recommendation to move the DARE account to the County budget. It should be noted that this is a small account which is comprised of donations to the DARE program and has long been maintained by the Sheriff’s Office. The account is open to the County Supervisors for review at any time.

Conclusion – Response acknowledged. Per the Code of Iowa, Chapter 331.552(1) and (2), the County Treasurer shall receive all money payable to the County unless otherwise provided by law and shall disburse money owed or payable by the County on warrants or checks drawn by the County Auditor and sealed with the official County seal. The above recommendation remains as stated.

- (11) Deficit Fund Balance – The Mental Health Fund had a deficit fund balance of \$54,090 at June 30, 2007.

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

Response – Three fourth’s of the Mental Health Fund budget is now driven by Medicaid services that are entitlements and not under the direct control of the County. Butler County did implement a waiting list and reduced waiver slots to force a waiting list for entitlement spending. A \$12 million supplemental allocation was made to the county MH/D Program but Butler County will not know what revenues will be available for the current fiscal year until January 2008. A decision was made to allow the deficit to identify financial need without reducing essential services to individuals with disabilities. The allocation methodology is also being reviewed and may change substantially this legislative session.

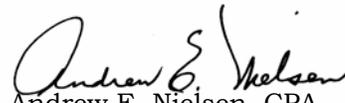
Conclusion – Response accepted.

Butler County

Staff

This audit was performed by:

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