



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

David A. Vaudt, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 15, 2010

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 \$19,232,488 for the year ended June 30, 2009, which included \$1,130,964 in tax credits from the state. The County forwarded \$14,127,147 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,105,341 of the local tax revenue to finance County operations, a 12.4% increase over the prior year. Other revenues included charges for service of \$1,220,741, operating grants, contributions and restricted interest of \$5,772,626, capital grants, contributions and restricted interest of \$2,049,403, local option sales tax of \$480,410, unrestricted investment earnings of \$211,931 and other general revenues of \$206,482. The significant increase in revenue is primarily due to increases in property tax, grants for a bike trail and FEMA funds due to damages sustained during the ice storms, flooding and the Parkersburg tornado during the year ended June 30, 2008.

Expenses for County operations totaled \$11,892,882, a less than one percent increase over the prior year. Expenses included \$5,376,684 for roads and transportation, \$1,681,162 for public safety and legal services and \$1,333,699 for physical health and social services.

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

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**BUTLER COUNTY**

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

**JUNE 30, 2009**

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**Butler County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2009)</b>		
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
<b>(After January 2009)</b>		
Ken Oldenburger	Board of Supervisors	Jan 2011
John Zimmerman	Board of Supervisors	Jan 2011
Karl Nelson	Board of Supervisors	Jan 2013
Holly A. Fokkena	County Auditor	Jan 2013
Louise Squires	County Treasurer	Jan 2011
Craig J. Franken	County Recorder	Jan 2011
Jason Johnson	County Sheriff	Jan 2013
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, 2009, 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.

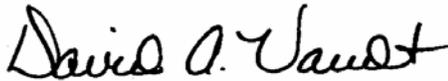
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2009, 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 February 19, 2010 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 39 through 41 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 performed 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 eight years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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

February 19, 2010

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

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Butler County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- Governmental activities revenues increased \$1,074,999, or 7.7%, from fiscal 2008 to fiscal 2009. Operating grants and contributions increased \$513,349, or 9.8%, property tax increased \$558,176, or 13.1%, capital grants and contributions increased \$53,518, or 2.7%, charges for service increased \$227,388, or 22.9%, grants and contributions not restricted to specific purposes decreased \$141,261 and gain on sale of capital assets decreased \$147,880.
- Governmental activities expenses increased \$62,426 from fiscal 2008 to fiscal 2009. Roads and transportation expenses increased \$469,119, or 9.6%, county environment and education expenses decreased \$500,779, or 62.2%, non-program expenses increased \$193,983, public safety and legal services expenses decreased \$12,433, administration expenses decreased \$2,436, mental health expenses decreased \$87,771 and physical health and social services expenses decreased \$21,846.
- Net assets increased 14%, or \$3,154,052, from June 30, 2008 to June 30, 2009.

### **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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## **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

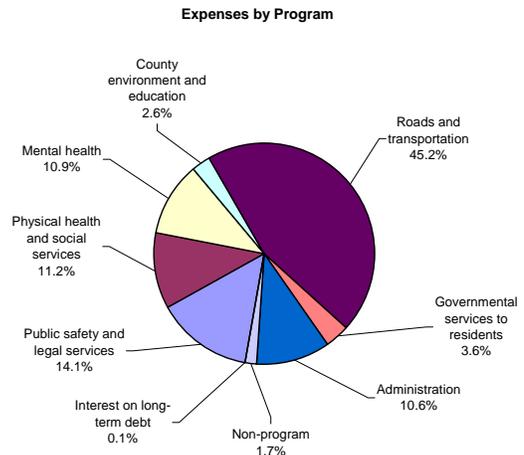
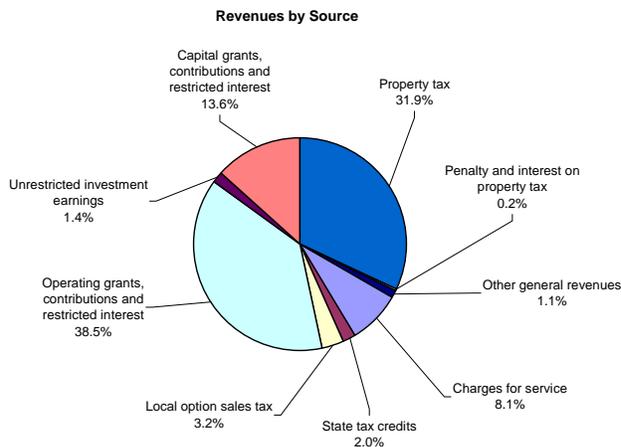
As noted earlier, net assets may serve over time as a useful indicator of financial position. Butler County's net assets at June 30, 2009 totaled \$25,577,001. This compares to \$22,422,949 at the end of fiscal 2008. The analysis that follows focuses on the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2009	2008
Current and other assets	\$ 13,189,118	12,300,072
Capital assets	19,027,103	15,909,838
Total assets	32,216,221	28,209,910
Long-term liabilities	616,906	611,899
Other liabilities	6,022,314	5,175,062
Total liabilities	6,639,220	5,786,961
Net assets:		
Invested in capital assets	19,027,103	15,909,838
Restricted	4,542,652	4,392,876
Unrestricted	2,007,246	2,120,235
Total net assets	\$ 25,577,001	22,422,949

Net assets of Butler County's governmental activities increased approximately \$3.2 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 \$2,007,246 at June 30, 2009.

**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2009	2008
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,220,741	993,353
Operating grants, contributions and restricted interest	5,772,626	5,259,277
Capital grants, contributions and restricted interest	2,049,403	1,995,885
<b>General revenues:</b>		
Property tax	4,805,493	4,247,317
Penalty and interest on property tax	36,458	32,746
State tax credits	299,848	296,050
Local option sales tax	480,410	484,244
Grants and contributions not restricted to specific purposes	-	141,261
Unrestricted investment earnings	211,931	210,549
Gain on sale of capital assets	-	147,880
Other general revenues	170,024	163,373
<b>Total revenues</b>	<b>15,046,934</b>	<b>13,971,935</b>
<b>Program expenses:</b>		
Public safety and legal services	1,681,162	1,693,595
Physical health and social services	1,333,699	1,355,545
Mental health	1,294,402	1,382,173
County environment and education	304,544	805,323
Roads and transportation	5,376,684	4,907,565
Governmental services to residents	432,651	406,727
Administration	1,257,641	1,260,077
Non-program	200,000	6,017
Interest on long-term debt	12,099	13,434
<b>Total expenses</b>	<b>11,892,882</b>	<b>11,830,456</b>
<b>Increase in net assets</b>	<b>3,154,052</b>	<b>2,141,479</b>
<b>Net assets beginning of year</b>	<b>22,422,949</b>	<b>20,281,470</b>
<b>Net assets end of year</b>	<b>\$ 25,577,001</b>	<b>22,422,949</b>



Butler County increased property tax rates for fiscal 2009 an average of 2%. The County increased the rural property tax levy rate \$0.25 per \$1,000 of taxable valuation. The mental health property tax levy rate decreased \$0.04 per \$1,000 of taxable valuation. Property tax revenue for fiscal 2010 are budgeted to increase approximately \$394,000 due to an increase in property 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 2009 with a fund balance of \$2,182,883. This was a \$44,181 decrease from fiscal 2008, which ended at \$2,227,064.
- The Special Revenue, Mental Health Fund ended fiscal 2009 with a fund balance of \$272,932. This is an increase from fiscal year 2008, which ended at a deficit balance of \$23,352. The increase was due primarily to an increase in state allocations and a decrease in mental health expenditures during the year.
- The Special Revenue, Rural Services Fund ended fiscal 2009 with a fund balance of \$579,192, an increase of \$69,952 from the ending balance for fiscal 2008, primarily due to an increase in property tax revenues and a decrease in expenditures during the year. Transfers to the Secondary Roads Fund decreased \$4,912 from fiscal year 2008.
- The Special Revenue, Secondary Roads Fund ended fiscal 2009 with a fund balance of \$2,791,921. This is a decrease of \$703,722, primarily due to an increase in road and bridge projects during fiscal 2009.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Butler County amended its budget three times. The first amendment was made in October 2008 and resulted in an increase in budgeted disbursements of \$251,655, primarily for the \$200,000 high quality job creation program pass-through grant to Unverferth Manufacturing Company, Inc.

The second amendment occurred in November 2008. This amendment resulted in increased budgeted disbursements of \$372,440, primarily for purchase of additional bike trail property.

The third and final amendment occurred in February 2009. This amendment resulted in increased budgeted disbursements of \$1,444,560, primarily for repairs to the bike trail, Conservation park headquarters, parks and the Greene Dam as well as increased costs in equipment, materials and fuel, all due to the 2008 disasters.

The County's receipts were \$521,455 more than budgeted, or 3.8%, primarily due to receiving FEMA reimbursements for the 2008 disasters.

Total disbursements were \$1,483,548 less than the amended budget. Capital projects disbursements were \$677,539 less than budgeted due to a delay in paving the bike trail and reduced roadway spending. The remaining decrease of \$806,009 was accomplished by reduced spending in all areas.

The County exceeded the budgeted amount in the debt service function for the year ended June 30, 2009 by \$178.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, Butler County had approximately \$19 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 \$3.1 million over last year.

	Capital Assets of Governmental Activities at Year End	
	June 30,	
	2009	2008
Land	\$ 762,112	374,570
Construction in progress	886,120	534,000
Buildings	203,779	97,574
Equipment and vehicles	4,096,058	3,674,630
Infrastructure	13,079,034	11,229,064
Total	<u>\$ 19,027,103</u>	<u>15,909,838</u>

This year's major additions included:

Capital assets contributed by the Iowa Department of Transportation	\$ 899,479
Replacement of two motorgraders, two dump trucks and a loader for Secondary Roads	895,889
Bike trail land from Allison to County Line and paving	474,238
Replacement of New Hartford maintainer shed	115,996
Other equipment and vehicles	291,837
Road projects	1,564,128
Bike trail	<u>275,120</u>
Total	<u>\$ 4,516,687</u>

The County had depreciation expense in fiscal 2009 of \$1,211,661 and total accumulated depreciation of approximately \$9 million at June 30, 2009. The County's fiscal 2009 capital projects amended budget included \$2,649,500 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, 2009, Butler County had \$232,212 in outstanding general obligation capital loan notes, compared to \$258,733 at June 30, 2008.

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 approximately \$48 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Butler County's officials considered many factors when setting the fiscal year 2010 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County for 2009 was 6.9%. This was higher than the State's unemployment rate of 6.6%, but well below the national rate of 10% for the same period.

For this budget year, the item of most concern continues to be increasing costs of health insurance for employees.

The fiscal 2010 budgeted receipts decreased approximately \$2,175,000 from the fiscal 2009 actual receipts, due mostly to the completion of and reimbursement for FEMA funded projects in fiscal 2009 for the 2008 disasters. Budgeted fiscal 2010 disbursements decreased approximately \$685,000 from the fiscal 2009 actual disbursements.

The County has added no major new programs or initiatives to the fiscal 2010 budget.

If these estimates are realized, the County's fund balances are expected to decrease approximately \$991,000 at the close of fiscal 2010.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

**Butler County**

## **Basic Financial Statements**

Butler County  
Statement of Net Assets  
June 30, 2009

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,851,955
Receivables:	
Property tax:	
Delinquent	28,247
Succeeding year	4,916,000
Interest and penalty on property tax	69,318
Accounts	45,350
Economic development loans	80,254
E911 lease	232,212
Due from other governments	1,426,296
Inventories	362,611
Prepaid insurance	176,875
Capital assets (net of accumulated depreciation)	<u>19,027,103</u>
<b>Total assets</b>	<u>32,216,221</u>
<b>Liabilities</b>	
Accounts payable	793,849
Salaries and benefits payable	129,300
Accrued interest payable	2,895
Due to other governments	180,270
Deferred revenue:	
Succeeding year property tax	4,916,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital loan notes	27,846
Compensated absences	313,886
Portion due or payable after one year:	
Capital loan notes	204,366
Compensated absences	<u>70,808</u>
<b>Total liabilities</b>	<u>6,639,220</u>
<b>Net Assets</b>	
Invested in capital assets	19,027,103
Restricted for:	
Supplemental levy purposes	251,443
Mental health purposes	275,093
Secondary roads purposes	2,773,672
Other purposes	1,242,444
Unrestricted	<u>2,007,246</u>
<b>Total net assets</b>	<u>\$ 25,577,001</u>

See notes to financial statements.

Butler County  
Statement of Activities  
Year ended June 30, 2009

	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	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,681,162	182,751	43	-	(1,498,368)
Physical health and social services	1,333,699	613,987	471,793	-	(247,919)
Mental health	1,294,402	579	1,201,531	-	(92,292)
County environment and education	304,544	40,108	443,063	622,909	801,536
Roads and transportation	5,376,684	56,078	3,423,983	1,426,494	(470,129)
Governmental services to residents	432,651	247,386	9,405	-	(175,860)
Administration	1,257,641	79,852	222,808	-	(954,981)
Non-program	200,000	-	-	-	(200,000)
Interest on long-term debt	12,099	-	-	-	(12,099)
<b>Total</b>	<b>\$ 11,892,882</b>	<b>1,220,741</b>	<b>5,772,626</b>	<b>2,049,403</b>	<b>(2,850,112)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					4,805,493
Penalty and interest on property tax					36,458
State tax credits					299,848
Local option sales tax					480,410
Unrestricted investment earnings					211,931
Miscellaneous					170,024
<b>Total general revenues</b>					<b>6,004,164</b>
Change in net assets					3,154,052
Net assets beginning of year					22,422,949
Net assets end of year					<b>\$ 25,577,001</b>

See notes to financial statements.

Butler County  
Balance Sheet  
Governmental Funds

June 30, 2009

	General	Special Revenue	
		Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 1,816,767	358,737	525,945
Receivables:			
Property tax:			
Delinquent	16,434	2,161	9,652
Succeeding year	2,961,000	364,000	1,591,000
Interest and penalty on property tax	69,318	-	-
Accounts	21,233	-	30
Economic development loans	-	-	-
E911 lease	232,212	-	-
Due from other governments	173,728	93,779	63,033
Inventories	-	-	-
Prepaid insurance	94,357	-	-
<b>Total assets</b>	<b>\$ 5,385,049</b>	<b>818,677</b>	<b>2,189,660</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 37,431	42,263	798
Salaries and benefits payable	76,530	-	7,743
Due to other governments	41,453	137,321	1,275
Deferred revenue:			
Succeeding year property tax	2,961,000	364,000	1,591,000
Other	85,752	2,161	9,652
Total liabilities	3,202,166	545,745	1,610,468
Fund balances:			
Reserved for:			
Supplemental levy purposes	251,019	-	-
E911 lease receivable	232,212	-	-
Unreserved:			
Undesignated, reported in:			
General fund	1,699,652	-	-
Special revenue funds	-	272,932	579,192
Total fund balances	2,182,883	272,932	579,192
<b>Total liabilities and fund balances</b>	<b>\$ 5,385,049</b>	<b>818,677</b>	<b>2,189,660</b>

See notes to financial statements.

<u>Secondary</u>		
<u>Roads</u>	<u>Nonmajor</u>	<u>Total</u>
2,407,625	742,881	5,851,955
-	-	28,247
-	-	4,916,000
-	-	69,318
23,759	328	45,350
-	80,254	80,254
-	-	232,212
857,462	238,294	1,426,296
362,611	-	362,611
82,518	-	176,875
<u>3,733,975</u>	<u>1,061,757</u>	<u>13,189,118</u>
691,624	21,733	793,849
44,484	543	129,300
221	-	180,270
-	-	4,916,000
205,725	251,897	555,187
<u>942,054</u>	<u>274,173</u>	<u>6,574,606</u>
-	-	251,019
-	-	232,212
-	-	1,699,652
2,791,921	787,584	4,431,629
<u>2,791,921</u>	<u>787,584</u>	<u>6,614,512</u>
<u>3,733,975</u>	<u>1,061,757</u>	<u>13,189,118</u>

**Butler County**

Butler County

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

June 30, 2009

**Total governmental fund balances (page 19)** \$ 6,614,512

***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 governmental funds. The cost of assets is \$28,077,851 and the accumulated depreciation is \$9,050,748. 19,027,103

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 555,187

Long-term liabilities, including capital loan 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 governmental funds. (619,801)

**Net assets of governmental activities (page 16)** \$ 25,577,001

See notes to financial statements.

Butler County

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

Year ended June 30, 2009

	Special Revenue		
	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 2,956,938	362,510	1,720,176
Interest and penalty on property tax	36,458	-	-
Intergovernmental	1,305,395	1,227,821	213,115
Licenses and permits	8,200	-	1,925
Charges for service	445,024	356	1,500
Use of money and property	336,271	-	-
Miscellaneous	106,603	-	-
Total revenues	5,194,889	1,590,687	1,936,716
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	1,308,932	-	357,900
Physical health and social services	1,329,711	-	-
Mental health	-	1,294,403	-
County environment and education	317,080	-	267,110
Roads and transportation	-	-	49,772
Governmental services to residents	405,298	-	8,244
Administration	1,210,085	-	-
Non-program	200,000	-	-
Debt service	38,941	-	-
Capital projects	-	-	-
Total expenditures	4,810,047	1,294,403	683,026
Excess (deficiency) of revenues over (under) expenditures	384,842	296,284	1,253,690
<b>Other financing sources (uses):</b>			
Operating transfers in	1,003	-	-
Operating transfers out	(430,026)	-	(1,183,738)
Total other financing sources (uses)	(429,023)	-	(1,183,738)
Net change in fund balances	(44,181)	296,284	69,952
Fund balances beginning of year	2,227,064	(23,352)	509,240
Fund balances end of year	\$ 2,182,883	272,932	579,192

See notes to financial statements.

Secondary Roads	Nonmajor	Total
240,205	-	5,279,829
-	-	36,458
3,915,620	868,578	7,530,529
5,528	-	15,653
6,132	-	453,012
3,175	44,396	383,842
148,936	45,736	301,275
4,319,596	958,710	14,000,598
-	56	1,666,888
-	-	1,329,711
-	-	1,294,403
-	101,949	686,139
5,195,846	-	5,245,618
-	923	414,465
-	-	1,210,085
-	-	200,000
-	-	38,941
1,081,516	938,216	2,019,732
6,277,362	1,041,144	14,105,982
(1,957,766)	(82,434)	(105,384)
1,254,044	359,997	1,615,044
-	(1,280)	(1,615,044)
1,254,044	358,717	-
(703,722)	276,283	(105,384)
3,495,643	511,301	6,719,896
2,791,921	787,584	6,614,512

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, 2009

**Net change in fund balances - Total governmental funds (page 23)** \$ (105,384)

**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	\$ 3,514,308	
Capital assets contributed by the Iowa Department of Transportation	899,479	
Depreciation expense	(1,211,661)	3,202,126

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (84,861)

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	20,927	
Other	125,933	146,860

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. 26,521

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	(31,528)	
Interest on long-term debt	318	(31,210)

**Change in net assets of governmental activities (page 17)** \$ 3,154,052

See notes to financial statements.

Butler County  
 Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2009

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,028,080
Other county officials	89,772
Receivables:	
Property tax:	
Delinquent	64,809
Succeeding year	13,344,000
Accounts	13,393
Special assessments	123,824
Due from other governments	27,968
<b>Total assets</b>	<b>14,691,846</b>

**Liabilities**

Accounts payable	52,929
Salaries and benefits payable	5,691
Due to other governments	14,536,309
Trusts payable	89,342
Compensated absences	7,575
<b>Total liabilities</b>	<b>14,691,846</b>

<b>Net assets</b>	\$ -
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See notes to financial statements.

Butler County

Notes to Financial Statements

June 30, 2009

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

For financial reporting purposes, Butler County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County had no component units which meet the Governmental Accounting Standards Board criteria.

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

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

B. Basis of Presentation

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

The Statement of Net 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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, 2009, 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, 2009. 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.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2009 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, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Drainage Districts	\$ 1,003
Special Revenue: Secondary Roads	General	70,306
	Special Revenue: Rural Services	1,183,738
County Recorder's Records Management	County Recorder's Electronic Transaction Fee	277
Conservation Land Acquisition	General	359,720
<b>Total</b>		<b>\$ 1,615,044</b>

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, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 374,570	387,542	-	762,112
Construction in progress	-	275,120	-	275,120
Construction in progress, road network	534,000	2,463,607	(2,386,607)	611,000
Total capital assets not being depreciated	908,570	3,126,269	(2,386,607)	1,648,232
Capital assets being depreciated:				
Buildings	1,868,199	115,996	-	1,984,195
Equipment and vehicles	8,869,990	1,097,622	(431,472)	9,536,140
Infrastructure, other	1,162,095	176,800	(179,774)	1,159,121
Infrastructure, road network	11,363,556	2,386,607	-	13,750,163
Total capital assets being depreciated	23,263,840	3,777,025	(611,246)	26,429,619
Less accumulated depreciation for:				
Buildings	1,770,625	9,791	-	1,780,416
Equipment and vehicles	5,195,360	662,215	(417,493)	5,440,082
Infrastructure, other	69,142	25,907	(5,992)	89,057
Infrastructure, road network	1,227,445	513,748	-	1,741,193
Total accumulated depreciation	8,262,572	1,211,661	(423,485)	9,050,748
Total capital assets being depreciated, net	15,001,268	2,565,364	(187,761)	17,378,871
Governmental activities capital assets, net	\$ 15,909,838	5,691,633	(2,574,368)	19,027,103

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 70,946
County environment and education	44,212
Roads and transportation	1,034,715
Governmental services to residents	15,831
Administration	45,957
Total depreciation expense - governmental activities	<u>\$ 1,211,661</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	\$ 41,453
Special Revenue:		
Mental Health	Services	137,321
Rural Services	Services	1,275
Secondary Roads	Services	221
		<u>138,817</u>
Total for governmental funds		<u>\$ 180,270</u>
Agency:		
Agricultural Extension Education	Collections	134,945
County Assessor	Collections	423,085
Schools	Collections	8,873,948
Community Colleges	Collections	540,483
Corporations	Collections	3,581,168
Townships	Collections	216,703
City Special Assessments	Collections	125,396
Auto License and Use Tax	Collections	313,126
Empowerment Board	Collections	197,936
All other	Collections	129,519
Total for agency funds		<u>\$ 14,536,309</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	General Obligation Capital Loan Notes	Compen- sated Absences	Total
Balance beginning of year	\$ 258,733	353,166	611,899
Increases	-	438,715	438,715
Decreases	26,521	407,187	433,708
Balance end of year	<u>\$ 232,212</u>	<u>384,694</u>	<u>616,906</u>
Due within one year	<u>\$ 27,846</u>	<u>313,886</u>	<u>341,732</u>

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, 2009 totaled \$232,212.

**(7) E911 Lease Receivable**

The County entered into a lease agreement with the E911 Service Board. Under the agreement, the E911 Service Board is to make quarterly payments of \$9,735 to the County, an amount equal to the quarterly payment required on the capital loan notes, as detailed in Note 6 of the notes to financial statements. The quarterly principal and interest payments from the E911 Service Board are credited to the General Fund. The following is a schedule of the future minimum lease payments to be received by the County, including interest of 5% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2009.

Year ending June 30,	Total
2010	\$ 38,941
2011	38,941
2012	38,941
2013	38,941
2014	38,941
2015-2016	83,046
Total minimum lease payments	277,751
Less amount representing interest	(45,239)
Present value of net minimum lease payments	\$ 232,512

**(8) Butler County Economic Development Revolving Loan Fund**

Butler County has nineteen economic development loans receivable totaling \$80,284 at June 30, 2009 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 5.00% per annum. The loan repayments from the businesses remain in the Butler County Economic Development Revolving Loan Fund for future loans to other businesses.

**(9) 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 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$272,385, \$248,193 and \$232,649, respectively, equal to the required contributions for each year.

**(10) 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 577 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 200 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, 2009 were \$159,631.

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 \$10,000,000 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 by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 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.

**(11) 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, 2009 were \$40,348.

**(12) Impairment Loss Due to Flood Damage to Bike Trail**

A County bike trail was damaged due to flooding which occurred in June and July 2008.

Management of the County computed an impairment loss for flood damage in accordance with GASB Statement No. 42, Accounting and Final Reporting for Impairment of Capital Assets and for Insurance Recoveries as follows:

Historical cost of the bike trail	\$ 747,861
Accumulated depreciation	(27,818)
Book value, June 30, 2008	<u>\$ 720,043</u>
Restoration cost	\$ 209,429
Deflation factor	91.514 %
Deflated restoration cost	\$ 191,657
Restoration cost ratio	25.627 %
Impairment loss	\$ 184,525

The County received \$188,486 from FEMA. Generally accepted accounting principles require the impairment loss and the FEMA reimbursement to be reported separately and not be netted because the FEMA reimbursement for the flood damages is not an insurance recovery.

The impairment loss due to flood damage to the bike trail is reported on the Statement of Revenues, Expenses and Changes in Net Assets as an expense in the county environment and education function and the FEMA reimbursement is reported as capital grants, contributions and restricted interest program revenues.

The County completed the bike trail paving from Shell Rock to Clarksville in March 2009.

**(13) Financial Assurance**

Butler County participates in an agreement with the Rural Iowa Waste Management Association, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Association includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Association in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care of the Association as of June 30, 2009 are \$2,297,800 and the County's financial assurance obligation amount is \$282,295.

In the event the Association fails to perform closure or postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain an alternate financial assurance within 90 days of intent to cancel, the County will perform or pay a third party to perform closure and/or postclosure care or establish a standby trust fund in the name of the Association or obtain alternate financial assurance in the amount of the assured amount.

**(14) Loan Guaranty Agreement**

Cooperative corporations identified in the agreement made loans to Parkersburg Economic Development, an Iowa non-profit corporation, in aggregate not to exceed \$800,000 to be repayable over three years at one percent interest per annum for use in constructing a new commercial building in Parkersburg, Iowa, which will allow local businesses displaced by a recent natural disaster to resume business operations and provide space for potential new businesses.

Chapter 15A authorizes counties to provide financial assistance including guarantees for economic development as may be necessary.

On October 28, 2008, Butler County agreed to guarantee repayment of the initial \$395,000 of the aggregate Cooperative Loan amount and Parkersburg Economic Development agrees to grant Butler County a mortgage on the new commercial building to be constructed with the proceeds of the Cooperative Loans to secure Butler County's guaranty. The balance of the aggregate Cooperative Loan amount shall be secured by an Irrevocable Letter of Credit issued by a financial institution selected by Parkersburg Economic Development and acceptable to Cooperative Lenders. The financial institution shall be named as an additional mortgagee under the mortgage and shall share a first mortgage lien position with 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, 2009

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
<b>Receipts:</b>				
Property and other county tax	\$ 5,105,214	4,532,238	5,051,816	53,398
Interest and penalty on property tax	36,458	8,000	8,000	28,458
Intergovernmental	7,382,558	6,230,376	7,514,444	(131,886)
Licenses and permits	15,633	12,300	12,300	3,333
Charges for service	455,858	451,485	451,485	4,373
Use of money and property	404,581	335,230	373,675	30,906
Miscellaneous	692,938	140,534	160,065	532,873
<b>Total receipts</b>	<b>14,093,240</b>	<b>11,710,163</b>	<b>13,571,785</b>	<b>521,455</b>
<b>Disbursements:</b>				
Public safety and legal services	1,660,188	1,712,547	1,752,202	92,014
Physical health and social services	1,320,618	1,525,810	1,537,810	217,192
Mental health	1,330,473	1,498,040	1,498,040	167,567
County environment and education	663,023	726,887	776,887	113,864
Roads and transportation	4,777,867	4,280,000	4,780,000	2,133
Governmental services to residents	412,105	431,332	433,332	21,227
Administration	1,219,228	1,331,418	1,331,418	112,190
Non-program	200,000	5,000	280,000	80,000
Debt service	38,941	38,763	38,763	(178)
Capital projects	1,971,961	1,459,500	2,649,500	677,539
<b>Total disbursements</b>	<b>13,594,404</b>	<b>13,009,297</b>	<b>15,077,952</b>	<b>1,483,548</b>
Excess (deficiency) of receipts over (under) disbursements	498,836	(1,299,134)	(1,506,167)	2,005,003
Balance beginning of year	5,353,119	4,505,582	4,505,582	847,537
Balance end of year	\$ 5,851,955	3,206,448	2,999,415	2,852,540

See accompanying independent auditor's report.

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Butler County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,093,240	(92,642)	14,000,598
Expenditures	13,594,404	511,578	14,105,982
Net	498,836	(604,220)	(105,384)
Beginning fund balances	5,353,119	1,366,777	6,719,896
Ending fund balances	\$ 5,851,955	762,557	6,614,512

See accompanying independent auditor's report.

Butler County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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, three budget amendments increased budgeted disbursements by \$2,068,655. 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 in the debt service function exceeded the amount budgeted during the year ended June 30, 2009.

**Butler County**

**Other Supplementary Information**

Butler County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

	Economic Development Revolving Loan	Sheriff's Commissary and Telephone	Seized and Forfeited Property	Sesquicentennial Memorial
<b>Assets</b>				
Cash and pooled investments	\$ 132,426	7,970	4,417	705
Receivables:				
Accounts	-	-	-	-
Economic development loans	80,254	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 212,680</b>	<b>7,970</b>	<b>4,417</b>	<b>705</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ 123	-	-	-
Salaries and benefits payable	-	-	-	-
Deferred revenue	80,254	-	-	-
Total liabilities	80,377	-	-	-
Fund equity:				
Fund balances:				
Unrestricted	132,303	7,970	4,417	705
<b>Total liabilities and fund equity</b>	<b>\$ 212,680</b>	<b>7,970</b>	<b>4,417</b>	<b>705</b>

See accompanying independent auditor's report.

Special Revenue				
County			Resource	
Recorder's	Conservation		Enhancement	
Records	Land	Conservation	and	
Management	Acquisition	Trust	Protection	Total
25,809	324,976	151,620	94,958	742,881
-	328	-	-	328
-	-	-	-	80,254
-	238,294	-	-	238,294
25,809	563,598	151,620	94,958	1,061,757
-	757	20,853	-	21,733
-	-	-	543	543
-	171,643	-	-	251,897
-	172,400	20,853	543	274,173
25,809	391,198	130,767	94,415	787,584
25,809	563,598	151,620	94,958	1,061,757

Butler County

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

Year ended June 30, 2009

	Economic Development Revolving Loan	Sheriff's Commissary and Telephone	Seized and Forfeited Property	Sesquicentennial Memorial
Revenues:				
Intergovernmental	\$ -	-	-	-
Use of money and property	39,090	363	-	14
Miscellaneous	-	-	560	-
Total revenues	39,090	363	560	14
Expenditures:				
Operating:				
Public safety and legal services	-	-	56	-
County environment and education	25,184	-	-	-
Governmental services to residents	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	25,184	-	56	-
Excess (deficiency) of revenues over (under) expenditures	13,906	363	504	14
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	13,906	363	504	14
Fund balances beginning of year	118,397	7,607	3,913	691
Fund balances end of year	\$ 132,303	7,970	4,417	705

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
5,226	-	-	791,212	55,150	16,990		868,578
474	3	-	-	2,622	1,830		44,396
-	-	-	13,069	32,107	-		45,736
5,700	3	-	804,281	89,879	18,820		958,710
-	-	-	-	-	-		56
-	-	-	-	70,963	5,802		101,949
923	-	-	-	-	-		923
-	-	-	938,216	-	-		938,216
923	-	-	938,216	70,963	5,802		1,041,144
4,777	3	-	(133,935)	18,916	13,018		(82,434)
277	-	-	359,720	-	-		359,997
-	(277)	(1,003)	-	-	-		(1,280)
277	(277)	(1,003)	359,720	-	-		358,717
5,054	(274)	(1,003)	225,785	18,916	13,018		276,283
20,755	274	1,003	165,413	111,851	81,397		511,301
25,809	-	-	391,198	130,767	94,415		787,584

Butler County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	2,163	136,562	138,585
Other county officials	89,772	-	-	-
Receivables:				
Property tax:				
Delinquent	-	782	1,721	48,363
Succeeding year	-	132,000	298,000	8,687,000
Accounts	-	-	3	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 89,772</b>	<b>134,945</b>	<b>436,286</b>	<b>8,873,948</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	5,626	-
Due to other governments	430	134,945	423,085	8,873,948
Trusts payable	89,342	-	-	-
Compensated absences	-	-	7,575	-
<b>Total liabilities</b>	<b>\$ 89,772</b>	<b>134,945</b>	<b>436,286</b>	<b>8,873,948</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Other	Total
9,177	86,901	3,365	1,572	313,126	248,862	87,767	1,028,080
-	-	-	-	-	-	-	89,772
3,306	9,267	1,338	-	-	-	32	64,809
528,000	3,485,000	212,000	-	-	-	2,000	13,344,000
-	-	-	-	-	-	13,390	13,393
-	-	-	123,824	-	-	-	123,824
-	-	-	-	-	584	27,384	27,968
540,483	3,581,168	216,703	125,396	313,126	249,446	130,573	14,691,846
-	-	-	-	-	51,510	1,419	52,929
-	-	-	-	-	-	65	5,691
540,483	3,581,168	216,703	125,396	313,126	197,936	129,089	14,536,309
-	-	-	-	-	-	-	89,342
-	-	-	-	-	-	-	7,575
540,483	3,581,168	216,703	125,396	313,126	249,446	130,573	14,691,846

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

Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	County Social Services	Schools
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 112,496	134,578	413,069	-	8,410,899
Additions:					
Property and other county tax	-	131,358	297,106	-	8,655,622
E911 surcharge	-	-	-	-	-
State tax credits	-	8,692	19,134	-	549,795
Office fees and collections	274,175	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	140,027	-	-	-	-
Miscellaneous	-	-	46,806	8,363,941	-
Total additions	414,202	140,050	363,046	8,363,941	9,205,417
Deductions:					
Agency remittances:					
To other funds	154,876	-	-	-	-
To other governments	132,327	139,683	339,829	8,363,941	8,742,368
Trusts paid out	149,723	-	-	-	-
Total deductions	436,926	139,683	339,829	8,363,941	8,742,368
Balances end of year	\$ 89,772	134,945	436,286	-	8,873,948

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Other	Total
540,034	3,306,787	205,590	171,649	458,953	570,194	155,361	14,479,610
526,923	3,471,888	211,201	-	-	-	1,933	13,296,031
-	-	-	-	-	-	1,552	1,552
34,486	205,472	12,613	796	-	-	128	831,116
-	-	-	-	-	-	3,943	278,118
-	-	-	-	3,822,813	-	-	3,822,813
-	-	-	15,390	-	-	-	15,390
-	-	-	-	-	-	-	140,027
-	-	-	-	-	795,180	205,407	9,411,334
561,409	3,677,360	223,814	16,186	3,822,813	795,180	212,963	27,796,381
-	-	-	-	143,899	-	-	298,775
560,960	3,402,979	212,701	62,439	3,824,741	1,115,928	237,751	27,135,647
-	-	-	-	-	-	-	149,723
560,960	3,402,979	212,701	62,439	3,968,640	1,115,928	237,751	27,584,145
540,483	3,581,168	216,703	125,396	313,126	249,446	130,573	14,691,846

Butler County  
 Schedule of Revenues By Source and Expenditures By Function -  
 All Governmental Funds  
 For the Last Nine Years

	2009	2008	2007	Modified 2006
<b>Revenues:</b>				
Property and other county tax	\$ 5,279,829	4,736,171	4,144,310	3,923,243
Interest and penalty on property tax	36,458	32,746	31,670	31,023
Intergovernmental	7,530,529	6,125,937	5,382,914	5,374,120
Licenses and permits	15,653	14,649	9,635	12,145
Charges for service	453,012	464,111	454,952	472,080
Use of money and property	383,842	446,133	401,199	320,098
Miscellaneous	301,275	339,052	233,974	224,330
<b>Total</b>	<b>\$ 14,000,598</b>	<b>12,158,799</b>	<b>10,658,654</b>	<b>10,357,039</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,666,888	1,578,721	1,510,726	1,425,712
Physical health and social services	1,329,711	1,354,701	1,384,986	1,383,611
Mental health	1,294,403	1,411,156	1,446,563	1,285,834
County environment and education	686,139	664,791	616,714	624,155
Roads and transportation	5,245,618	4,028,374	3,970,296	3,975,554
Governmental services to residents	414,465	389,465	386,920	447,203
Administration	1,210,085	1,232,630	1,142,270	1,103,411
Non-program	200,000	7,017	7,018	-
Debt service	38,941	38,941	38,941	69,658
Capital projects	2,019,732	977,440	725,176	936,339
<b>Total</b>	<b>\$ 14,105,982</b>	<b>11,683,236</b>	<b>11,229,610</b>	<b>11,251,477</b>

See accompanying independent auditor's report.

Accrual Basis				
2005	2004	2003	2002	2001
3,820,208	4,223,382	3,961,242	4,102,879	3,974,387
34,668	41,696	35,204	39,466	40,118
5,316,619	5,088,430	5,847,451	5,469,286	5,360,586
11,565	15,943	6,510	6,230	5,140
435,257	498,244	452,385	410,082	352,713
257,798	265,270	304,188	345,162	480,185
293,094	189,405	261,049	126,284	108,295
10,169,209	10,322,370	10,868,029	10,499,389	10,321,424
1,382,591	1,268,846	1,263,978	1,112,635	1,046,865
1,184,164	1,153,795	1,236,351	1,174,052	1,096,568
1,165,030	1,114,860	1,114,443	1,093,461	1,082,024
561,758	588,832	1,306,388	746,221	505,722
3,747,559	3,559,552	3,636,570	3,437,410	3,757,953
450,844	269,112	245,312	237,434	195,727
1,099,842	1,287,024	1,241,945	1,174,029	1,064,626
60	-	832	-	342
49,334	37,413	45,052	7,880	2,880
512,391	1,440,397	754,202	1,041,571	639,672
10,153,573	10,719,831	10,845,073	10,024,693	9,392,379

**Schedule 6**

## Butler County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for			
Supplemental Nutrition Assistance			
	10.561		\$ 12,312
U.S. Department of Justice:			
Iowa Department of Public Health:			
Tobacco Surveillance Grant			
	16.000		1,450
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction			
	20.205	BROS-C012(66)--8J-12	504,049
Highway Planning and Construction			
	20.205	05-STPE-144	274,646
			<u>778,695</u>
Governor's Traffic Safety Bureau:			
Safety Incentive Grants for Use of Seatbelts			
	20.609	09-406, TASK 22	4,000
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Interagency Hazardous Materials Public Safety Training and			
Planning Grants			
	20.703		18,200
Iowa Department of Human Services:			
Hancock County Nursing Services:			
Public Health Emergency Preparedness			
	93.069	BT08003	9,817
North Iowa Community Action Organization:			
Advancing System Improvements to Support Targets for			
Healthy People 2010			
	93.088		7,250
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families			
	93.558		11,406
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund			
	93.596		3,237
Foster Care - Title IV-E			
	93.658		6,851
Refugee and Entrant Assistance_State Administered Programs			
	93.566		20
Adoption Assistance			
	93.659		1,657
Children's Health Insurance Program			
	93.767		94
Medical Assistance Program			
	93.778		14,993
Social Services Block Grant			
	93.667		7,475
Social Services Block Grant			
	93.667		55,454
			<u>62,929</u>

Butler County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Worth County Public Health Nursing Department:			
Immunization Grants	93.268	5886I410	<u>2,123</u>
National Bioterrorism Hospital Preparedness Program	93.889	5887EM112	<u>1,305</u>
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1763 DR IA	<u>1,074,708</u>
Emergency Management Performance Grants	97.042		<u>10,827</u>
Total			<u><u>\$ 2,021,874</u></u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Butler County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Butler County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
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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 as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 19, 2010. 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 as a basis for designing 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, including a deficiency we consider to be a material weakness.

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 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 a 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 the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 the 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 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 and Questioned Costs. 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, including federal awarding agencies and pass-through entities. 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

February 19, 2010

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance in  
Accordance with OMB Circular A-133**

**Butler County**



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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Officials of Butler County:

Compliance

We have audited the compliance of Butler County with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2009. Butler County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs are the responsibility of Butler County's management. Our responsibility is to express an opinion on Butler County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Butler County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Butler County's compliance with those requirements.

In our opinion, Butler County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Butler County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Butler County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Butler County's internal control over compliance.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 19, 2010

Butler County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 20.205 – Highway Planning and Construction and CFDA Number 97.036 - Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Butler County did not qualify as a low-risk auditee.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-A-09 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
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Recorder and Treasurer
(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

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 –

- 1) All employees make entries into the accounting records. All checks returned unprocessed for some reason are recorded in a log book.
- 2) Motor vehicle and tax departments record cash into their respective systems. We also record cash immediately when received on a separate log.
- 3) Bank accounts are reconciled promptly when received from bank. The reconciliation process is shared by the employees.

County Recorder – We will segregate our duties as best we can with limited personnel.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Conclusion –

County Treasurer – Response acknowledged. However the County should segregate duties for incoming mail, receipts and bank reconciliations by having an independent person involved in those functions.

County Recorder – Response accepted.

- II-B-09 Personnel Files – The County Sheriff does not maintain personnel files for all employees (Deputies, Civil Deputy, Dispatcher(s) and Jailer(s)) which include performance evaluations, current pay rate, original employment application, any certifications which have been achieved, screenings and checks which have been done (drug screens, background checks, etc.) and current tax withholding information.

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

Response – I currently have personnel files which contain the employees position, employment application and current certifications, which are also kept in a personnel folder on the computer. I have some records related to discipline and I have their pay information in an excel program with the budget information. Files have been started for any new full time employees but there are some reserves who did not have current files which will be started.

Conclusion – Response accepted.

- II-C-09 County Sheriff – Separate bank accounts were maintained for the receipts and disbursements for the DARE program. These receipts and disbursements were not recorded in the County's accounting system and have not been recorded 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 recorded in the County's accounting system, annual budget and financial report. DARE account receipts 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 – The DARE account receives donations to the program and is kept in a checking account which is maintained by our Civil Deputy. Any claims which are made against the account are given to the Sheriff by the DARE officer, the Sheriff signs them and the Civil Deputy pays them. Three people are involved in every claim and the account is and always has been made available upon request if anyone would like to look at it.

Conclusion – Response acknowledged. However, the DARE account should be recorded in the County's accounting system, annual budget and financial report as required by Chapter 331.902(2) of the Code of Iowa.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

II-D-09 County Recorder – Bank reconciliations, including outstanding check listings, were properly prepared during the year ended June 30, 2009. However, variances between book and bank balances existed which were not investigated and resolved.

The County Recorder's office does not prepare a year-to-date spreadsheet of receipts and disbursements which reconciles the beginning and ending book balances.

Recommendation – The bank reconciliations, including outstanding check listings and other reconciling items, should be prepared at the end of each month and reconciled to book balances. All variances between book and bank balances should be investigated and resolved in a timely manner.

The County Recorder's Office should prepare a year-to-date spreadsheet of receipts and disbursements which reconciles the beginning and ending book balances

Response – We will prepare a year-to-date spreadsheet of receipts and disbursements.

Conclusion – Response acknowledged. However, the County Recorder's Office should also document the reconciliation between the bank balance and the book balance, including the reconciling items and the disposition of any variances.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Butler County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

No material weaknesses in internal control over the major programs were noted.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

IV-A-09 Certified Budget – Disbursements in the debt service function exceeded the amount budgeted during the year ended June 30, 2009.

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

Response – The debt service function was exceeded by the very small amount of \$178 due to a miscalculation when preparing the fiscal year 2009 budget and was inadvertently not corrected by an amendment to the budget.

Conclusion – Response accepted.

IV-B-09 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.

IV-C-09 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-09 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tamara Fleshner, Public Health, Independent contractor	CPR Training	\$ 300
Habbo Fokkena, Husband of County Auditor, Landlord	Rent for general relief recipients	730
Mike Lammers, Deputy Sheriff	Tobacco Buys	450
Shane Oldenburger, Deputy Sheriff	Tobacco Buys	420
Sandra Schmadeke, Wife of Deputy Sheriff, Independent contractor	Services	40

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.

IV-E-09 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.

IV-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-09 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.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

IV-H-09 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).

IV-I-09 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, 2009 for the County Extension Office did not exceed the amount budgeted.

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Butler County

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Billie Jo Heth, Senior Auditor II  
Aaron P. Wagner, CPA, Staff Auditor  
Kelly L. Hilton, Assistant Auditor  
Rosemary E. Nielsen, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State