



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

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NEWS RELEASE

FOR RELEASE

March 29, 2013

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

The County had local tax revenue of \$21,194,036 for the year ended June 30, 2012, which included \$927,140 in tax credits from the state. The County forwarded \$15,255,562 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,938,474 of the local tax revenue to finance County operations, a 10.3% increase over the prior year. Other revenues included charges for service of \$1,551,182, operating grants, contributions and restricted interest of \$31,019,724, capital grants, contributions and restricted interest of \$2,976,464, local option sales tax of \$410,549, unrestricted investment earnings of \$215,691 and other general revenues of \$370,958.

Expenses for County operations totaled \$43,490,877, a 19.3% increase over the prior year. Expenses included \$31,108,043 for mental health, \$6,219,606 for roads and transportation and \$1,935,558 for public safety and legal services.

The significant increase in operating grants, contributions and restricted interest revenue and mental health expenses is primarily due to the County's role as the fiscal agent for County Social Services (a joint venture for administering mental health and disability services for Black Hawk, Butler, Cerro Gordo, Floyd and Mitchell Counties.)

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/1210-0012-B00F.pdf>.

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**BUTLER COUNTY**

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

**JUNE 30, 2012**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor’s Report	5-6
Management’s Discussion and Analysis	7-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A     16
Statement of Activities	B     17
Governmental Fund Financial Statements:	
Balance Sheet	C     18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D     21
Statement of Revenues, Expenditures and Changes in Fund Balances	E     22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F     24
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	G     25
Notes to Financial Statements	26-41
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	44
Budget to GAAP Reconciliation	45
Notes to Required Supplementary Information – Budgetary Reporting	46
Schedule of Funding Progress for the Retiree Health Plan	47
Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1     50-51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2     52-53
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	3     54-55
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4     56-57
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5     58-59
Schedule of Expenditures of Federal Awards	6     61
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 <u>Government Auditing Standards</u>	63-64
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	67-68
Schedule of Findings and Questioned Costs	69-74
Staff	75

**Butler County**

**Officials**

Karl Nelson	Board of Supervisors	Jan 2013
Tom Heidenwirth	Board of Supervisors	Jan 2015
Ken Oldenburger	Board of Supervisors	Jan 2015
Holly A. Fokkena	County Auditor	Jan 2013
Louise Squires	County Treasurer	Jan 2015
Janice Jacobs	County Recorder	Jan 2015
Jason Johnson	County Sheriff	Jan 2013
Gregory M. Lievens	County Attorney	Jan 2015
Deborah McWhirter	County Assessor	Jan 2016

**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, 2012, 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.

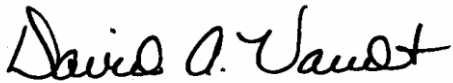
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Butler County at June 30, 2012, and the respective changes in financial 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 March 12, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained

during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Butler County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 12, 2013



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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, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- Governmental activities revenues increased \$2,482,011, or 6.2%, from fiscal year 2011 to fiscal year 2012. Operating grants, contributions and restricted interest decreased \$522,536, or 1.7%, property tax increased \$561,896, or 10.9%, capital grants, contributions and restricted interest increased \$2,426,064, or 440.8%, and charges for service increased \$170,321, or 12.3%.
- Governmental activities expenses increased \$7,031,604 from fiscal year 2011 to fiscal year 2012. Mental health expenses increased \$6,723,757, roads and transportation expenses decreased \$31,840, county environment and education expenses increased \$44,205, non-program expenses decreased \$16,601, public safety and legal services expenses increased \$89,192, administration expenses increased \$245,970 and physical health and social services expenses decreased \$113,677.
- Net assets decreased 3.2%, or \$1,007,835, from June 30, 2011 to June 30, 2012.

### 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 financial 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. 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, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for 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

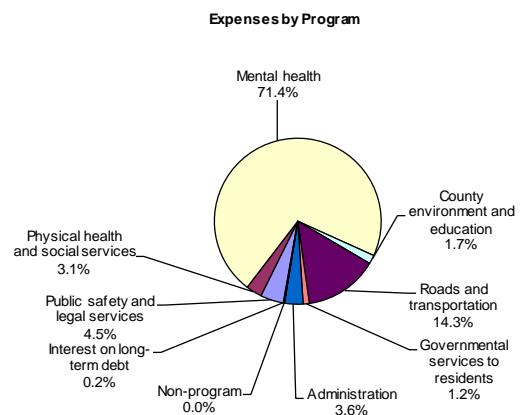
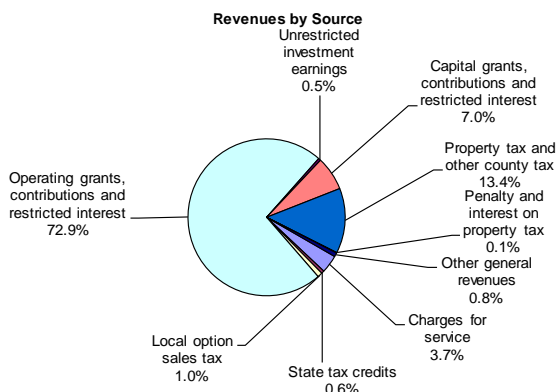
As noted earlier, net assets may serve over time as a useful indicator of financial position. Butler County's net assets at June 30, 2012 totaled \$30,230,026. This compares to \$31,237,861 at the end of fiscal year 2011. The analysis that follows focuses on the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2012	2011
Current and other assets	\$ 21,690,335	28,068,535
Capital assets	27,533,506	22,817,870
Total assets	49,223,841	50,886,405
Long-term liabilities	4,261,320	2,847,649
Other liabilities	14,732,495	16,800,895
Total liabilities	18,993,815	19,648,544
Net assets:		
Invested in capital assets, net of related debt	24,348,743	21,358,230
Restricted	4,363,419	8,290,162
Unrestricted	1,517,864	1,589,469
Total net assets	\$ 30,230,026	31,237,861

Net assets of Butler County's governmental activities decreased approximately \$1.01 million (\$30,230,026 compared to \$31,237,861). 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. Restricted net assets decreased approximately \$3,927,000, or 47%, from fiscal year 2011 to fiscal year 2012. The decrease primarily resulted from the decrease in net assets restricted for mental health and road projects. 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—is \$1,517,864 at June 30, 2012. Unrestricted net assets decreased approximately \$72,000, or 4.5%, from fiscal year 2011 to fiscal year 2012.

**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2012	2011
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,551,182	1,380,861
Operating grants, contributions and restricted interest	31,019,724	31,542,260
Capital grants, contributions and restricted interest	2,976,464	550,400
<b>General revenues:</b>		
Property tax and other county tax	5,697,021	5,135,125
Penalty and interest on property tax	41,774	48,871
State tax credits	241,453	248,816
Local option sales tax	410,549	462,876
Unrestricted investment earnings	215,691	319,358
Other general revenues	329,184	312,464
<b>Total revenues</b>	<b>42,483,042</b>	<b>40,001,031</b>
<b>Program expenses:</b>		
Public safety and legal services	1,935,558	1,846,366
Physical health and social services	1,329,734	1,443,411
Mental health	31,108,043	24,384,286
County environment and education	731,390	687,185
Roads and transportation	6,219,606	6,251,446
Governmental services to residents	507,852	447,871
Administration	1,579,150	1,333,180
Non-program	1,184	17,785
Interest on long-term debt	78,360	47,743
<b>Total expenses</b>	<b>43,490,877</b>	<b>36,459,273</b>
<b>Change in net assets</b>	<b>(1,007,835)</b>	<b>3,541,758</b>
<b>Net assets beginning of year</b>	<b>31,237,861</b>	<b>27,696,103</b>
<b>Net assets end of year</b>	<b>\$ 30,230,026</b>	<b>31,237,861</b>



Butler County increased the general supplemental tax levy rate \$0.17386 per \$1,000 of taxable valuation for fiscal year 2012 and added a debt service tax levy of \$0.22632 per \$1,000 of taxable valuation. The mental health property tax levy rate decreased \$0.04386 per \$1,000 of taxable valuation. Property tax revenue for fiscal year 2012 was budgeted to increase approximately \$530,175, primarily due to an increase in property valuations and the initial debt service levy. In addition, as Butler County continues to assume the role of fiscal agent for County Social Services and its member counties, mental health program expenses and related program revenues continue to increase.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

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

- The General Fund, the operating fund for Butler County, ended fiscal year 2012 with a fund balance of \$2,810,665. This was a \$128,293 increase over fiscal year 2011, which ended at \$2,682,372.
- The Special Revenue, Mental Health Fund balance ended fiscal year 2012 with a fund balance of \$391,405. This was a \$1,762,901 increase from fiscal year 2011, which ended with a balance of (\$1,371,496), primarily due to improved processing of transfers from member counties of the County Social Services consortium being administered through the fiscal agent's (Butler County) Mental Health Fund.
- The Special Revenue, Rural Services Fund ended fiscal year 2012 with a fund balance of \$674,590, a decrease of \$24,998 from the ending balance for fiscal year 2011, which ended with a balance of \$699,588.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2012 with a fund balance of \$1,551,532. This is a decrease of \$424,855 from the ending balance for fiscal year 2011, which ended with a balance of \$1,976,387, primarily due to an increase in construction projects using local funds.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Butler County amended its budget three times. The first amendment was made in October 2011 and resulted in an increase in budgeted disbursements of \$1,567,664, of which \$1,530,000 was for the costs of constructing an equipment and maintenance facility which was financed by general obligation borrowing.

The second amendment occurred in February 2012. This amendment resulted in increased budgeted disbursements of \$5,685,704, primarily to cover increased costs of administering mental health and disability services for Black Hawk, Butler, Cerro Gordo, Floyd and Mitchell Counties and for purchasing additional road maintenance materials. The third amendment occurred in May 2012 and increased budgeted disbursements by \$2,091,000, primarily to cover increased costs of administering mental health and disability services.

The County's receipts were \$333,658 less than budgeted, a variance of .7%, primarily due to uncertainty in estimating receipts for County Social Services (a joint venture for administering mental health and disability services for Black Hawk, Butler, Cerro Gordo, Floyd and Mitchell Counties.)

Total disbursements were \$5,145,932 less than the amended budget. Mental health disbursements were \$2,329,125 less than budgeted due to uncertainty in estimating the costs for County Social Services, as well as anticipated savings due to efficiencies of the consortium. Capital projects disbursements were \$2,323,353 less than budgeted due to slower than anticipated progress on road paving and resurfacing projects and completing the 220<sup>th</sup> Street Reconstruction Project in this fiscal year. The remaining decrease of \$493,454 was accomplished by reduced spending in other functional areas.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, Butler County had approximately \$27.5 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 \$4.7 million over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2012	2011
Land	\$ 845,778	762,112
Construction in progress	2,044,384	585,370
Buildings	1,714,039	304,913
Improvements other than buildings	34,938	36,526
Equipment and vehicles	3,811,750	3,930,099
Infrastructure	19,082,617	17,198,850
Total	\$ 27,533,506	22,817,870

The County had depreciation expense in fiscal year 2012 of \$1,662,481 and total accumulated depreciation of approximately \$12.2 million at June 30, 2012. The County's fiscal year 2012 capital projects expenditures totaled \$1,975,248, principally for completion of an equipment storage facility, several bridge projects and paving and road resurfacing 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, 2012, Butler County had approximately \$3.751 million in outstanding general obligation debt, compared to approximately \$2.375 million of long-term debt at June 30, 2011.

Outstanding Debt of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2012	2011
General obligation capital loan notes	\$ 156	175
General obligation urban renewal bonds	2,065	2,200
General obligation bonds	1,530	-
Total	\$ 3,751	2,375

Debt increased as a result of issuing general obligation bonds for construction of an equipment and maintenance facility.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Butler County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$58 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 2013 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County for fiscal year 2012 (July 1, 2011 to June 30, 2012) was 4.6%. While this was a decrease from last year, it remains substantially higher than past years, such as 3.76% in fiscal year 2007.

Butler County's unemployment rate was slightly lower than the State's unemployment rate of 5.1%, and almost 50% below the national rate of 8.2% for the same period.

For the fiscal year 2013 budget, the continuing increase in health insurance costs for employees remains the item of most concern, as well as keeping salaries in line with the cost of living.

Fiscal year 2013 budgeted receipts decreased \$21,561,000 from fiscal year 2012 actuals, due primarily to not being able to estimate the effect of additional counties joining County Social Services (a joint venture for administering mental health and disability services) for which the County acts as the fiscal agent and is reimbursed for the mental health costs incurred on behalf of the participating members at the time the budget was prepared.

If the budget estimates are realized, the County's fund balances are expected to decrease approximately \$5.3 million by the close of fiscal year 2013. This decrease would be mainly a planned spend down of the Mental Health Fund, as well as planned spending of borrowed funds for the new maintenance facility located in Allison, Iowa.

## **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**

**Exhibit A**

Butler County  
Statement of Net Assets  
June 30, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 13,777,934
Receivables:	
Property tax:	
Delinquent	21,738
Succeeding year	5,794,000
Interest and penalty on property tax	94,983
Accounts	44,067
Economic development loans	109,992
E911 lease	155,561
Due from other governments	1,093,571
Inventories	425,222
Prepaid items	173,267
Capital assets, net of accumulated depreciation	<u>27,533,506</u>
<b>Total assets</b>	<u>49,223,841</u>
<b>Liabilities</b>	
Accounts payable	1,995,797
Salaries and benefits payable	119,950
Accrued interest payable	7,634
Due to other governments	6,815,114
Deferred revenue:	
Succeeding year property tax	5,794,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	31,750
General obligation bonds	385,000
Compensated absences	260,632
Portion due or payable after one year:	
General obligation capital loan notes	123,811
General obligation bonds	3,210,000
Compensated absences	71,392
Net OPEB liability	<u>178,735</u>
<b>Total liabilities</b>	<u>18,993,815</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	24,348,743
Restricted for:	
Supplemental levy purposes	186,406
Mental health purposes	392,865
Secondary roads purposes	1,602,833
Other purposes	2,181,315
Unrestricted	<u>1,517,864</u>
<b>Total net assets</b>	<u>\$ 30,230,026</u>

See notes to financial statements.

Butler County  
Statement of Activities  
Year ended June 30, 2012

	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	\$ 1,935,558	262,177	1,132	-	(1,672,249)
Physical health and social services	1,329,734	568,896	455,153	-	(305,685)
Mental health	31,108,043	124,154	27,076,317	-	(3,907,572)
County environment and education	731,390	77,138	398,775	-	(255,477)
Roads and transportation	6,219,606	207,240	3,060,870	2,976,464	24,968
Governmental services to residents	507,852	149,171	21,786	-	(336,895)
Administration	1,579,150	162,406	5,691	-	(1,411,053)
Non-program	1,184	-	-	-	(1,184)
Interest on long-term debt	78,360	-	-	-	(78,360)
<b>Total</b>	<b>\$ 43,490,877</b>	<b>1,551,182</b>	<b>31,019,724</b>	<b>2,976,464</b>	<b>(7,943,507)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					5,513,680
Debt service					158,396
Tax increment financing					24,945
Penalty and interest on property tax					41,774
State tax credits					241,453
Local option sales tax					410,549
Unrestricted investment earnings					215,691
Rent					156,546
Miscellaneous					172,638
<b>Total general revenues</b>					<b>6,935,672</b>
Change in net assets					(1,007,835)
Net assets beginning of year					31,237,861
Net assets end of year					<b>\$ 30,230,026</b>

See notes to financial statements.

Butler County  
Balance Sheet  
Governmental Funds

June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 2,463,627	7,998,565	605,826
Receivables:			
Property tax:			
Delinquent	13,109	1,460	6,570
Succeeding year	3,387,000	369,000	1,796,000
Interest and penalty on property tax	94,983	-	-
Accounts	27,928	14,315	30
Economic development loans	-	-	-
E911 lease	155,561	-	-
Due from other governments	206,504	546,212	83,253
Inventories	-	-	-
Prepaid items	92,400	-	-
<b>Total assets</b>	<b>\$ 6,441,112</b>	<b>8,929,552</b>	<b>2,491,679</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 49,939	1,404,916	2,631
Salaries and benefits payable	72,475	102	10,463
Due to other governments	12,941	6,762,669	1,425
Deferred revenue:			
Succeeding year property tax	3,387,000	369,000	1,796,000
Other	108,092	1,460	6,570
Total liabilities	3,630,447	8,538,147	1,817,089
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	92,400	-	-
Restricted for:			
Supplemental levy purposes	188,503	-	-
Mental health purposes	-	391,405	-
Rural services purposes	-	-	674,590
Secondary roads purposes	-	-	-
Public health nursing purposes	440,582	-	-
E911 lease receivable	155,561	-	-
Resource enhancement and protection	-	-	-
Jail and courthouse security	56,155	-	-
Conservation land acquisition	300,112	-	-
Conservation trust	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	37,269	-	-
Unassigned	1,540,083	-	-
Total fund balances	2,810,665	391,405	674,590
<b>Total liabilities and fund balances</b>	<b>\$ 6,441,112</b>	<b>8,929,552</b>	<b>2,491,679</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,398,776	1,311,140	13,777,934
-	599	21,738
-	242,000	5,794,000
-	-	94,983
1,794	-	44,067
-	109,992	109,992
-	-	155,561
257,602	-	1,093,571
425,222	-	425,222
80,867	-	173,267
<u>2,164,261</u>	<u>1,663,731</u>	<u>21,690,335</u>
538,153	158	1,995,797
36,497	413	119,950
38,079	-	6,815,114
-	242,000	5,794,000
-	110,591	226,713
<u>612,729</u>	<u>353,162</u>	<u>14,951,574</u>
425,222	-	425,222
80,867	-	173,267
-	-	188,503
-	-	391,405
-	-	674,590
1,045,443	-	1,045,443
-	-	440,582
-	-	155,561
-	98,229	98,229
-	-	56,155
-	-	300,112
-	191,445	191,445
-	401,496	401,496
-	456,886	456,886
-	162,513	199,782
-	-	1,540,083
<u>1,551,532</u>	<u>1,310,569</u>	<u>6,738,761</u>
<u>2,164,261</u>	<u>1,663,731</u>	<u>21,690,335</u>

**Butler County**

Butler County

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

June 30, 2012

<b>Total governmental fund balances (page 19)</b>	\$ 6,738,761
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
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 \$39,739,559 and the accumulated depreciation is \$12,206,053.	27,533,506
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	226,713
Long-term liabilities, including general obligation bonds, capital loan notes and urban renewal bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(4,268,954)</u>
<b>Net assets of governmental activities (page 16)</b>	<u><u>\$ 30,230,026</u></u>

See notes to financial statements.

Butler County

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

Year ended June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 3,308,070	368,586	1,837,332
Local option sales tax	-	-	205,274
Interest and penalty on property tax	41,774	-	-
Intergovernmental	1,530,635	32,301,497	272,536
Licenses and permits	12,565	-	1,250
Charges for service	461,753	124,154	450
Use of money and property	309,133	46,789	-
Miscellaneous	158,138	28,332	-
Total revenues	<u>5,822,068</u>	<u>32,869,358</u>	<u>2,316,842</u>
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	1,405,324	-	579,786
Physical health and social services	1,321,121	-	-
Mental health	-	31,106,457	-
County environment and education	373,386	-	278,526
Roads and transportation	-	-	50,000
Governmental services to residents	453,838	-	8,528
Administration	1,476,114	-	-
Non-program	1,184	-	-
Debt service	38,941	-	-
Capital projects	516,694	-	-
Total expenditures	<u>5,586,602</u>	<u>31,106,457</u>	<u>916,840</u>
Excess (deficiency) of revenues over (under) expenditures	<u>235,466</u>	<u>1,762,901</u>	<u>1,400,002</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets	9,327	-	-
Operating transfers in	-	-	-
Operating transfers out	(116,500)	-	(1,425,000)
General obligation bonds issued	-	-	-
Discount on bonds issued	-	-	-
Total other financing sources (uses)	<u>(107,173)</u>	<u>-</u>	<u>(1,425,000)</u>
Change in fund balances	128,293	1,762,901	(24,998)
Fund balances beginning of year	<u>2,682,372</u>	<u>(1,371,496)</u>	<u>699,588</u>
Fund balances end of year	<u>\$ 2,810,665</u>	<u>391,405</u>	<u>674,590</u>

See notes to financial statements.



Secondary Roads	Nonmajor	Total
-	183,341	5,697,329
205,274	-	410,548
-	-	41,774
3,139,035	58,239	37,301,942
5,655	-	19,470
60,034	3,433	649,824
1,988	53,066	410,976
45,066	48,625	280,161
3,457,052	346,704	44,812,024
-	453	1,985,563
-	-	1,321,121
-	-	31,106,457
-	87,497	739,409
5,986,761	-	6,036,761
-	8,923	471,289
-	-	1,476,114
-	-	1,184
-	199,706	238,647
1,451,764	6,790	1,975,248
7,438,525	303,369	45,351,793
(3,981,473)	43,335	(539,769)
4,600	-	13,927
3,552,018	421,601	3,973,619
-	(2,432,119)	(3,973,619)
-	1,530,000	1,530,000
-	(3,060)	(3,060)
3,556,618	(483,578)	1,540,867
(424,855)	(440,243)	1,001,098
1,976,387	1,750,812	5,737,663
1,551,532	1,310,569	6,738,761

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, 2012

**Change in fund balances - Total governmental funds (page 23)** \$ 1,001,098

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

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

Expenditures for capital assets	\$ 3,415,580	
Capital assets contributed by the Iowa Department of Transportation	2,976,464	
Depreciation expense	<u>(1,662,481)</u>	4,729,563

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. (13,927)

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	(308)	
Other	<u>(5,305,138)</u>	(5,305,446)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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. The current year issuance exceeded repayments, as follows:

Issued	(1,530,000)	
Repaid	<u>154,541</u>	(1,375,459)

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	26,377	
Other postemployment benefits	(64,589)	
Interest on long-term debt	<u>(5,452)</u>	<u>(43,664)</u>

**Change in net assets of governmental activities (page 17)** \$ (1,007,835)

See notes to financial statements.

Butler County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2012

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 960,638
Other county officials	117,395
Receivables:	
Property tax:	
Delinquent	57,442
Succeeding year	14,639,000
Accounts	14,470
Special assessments	202,695
Due from other governments	8,213
<b>Total assets</b>	15,999,853

**Liabilities**

Accounts payable	62,913
Salaries and benefits payable	7,191
Due to other governments	15,813,683
Trusts payable	106,228
Compensated absences	9,838
<b>Total liabilities</b>	15,999,853

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

Butler County

Notes to Financial Statements

June 30, 2012

**(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 and reduced by outstanding balances for bonds, notes and other debt attributed to the acquisition, construction or improvement of those assets.

*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 fund also accounts for the revenues and expenditures for County Social Services, a consortium established for the purpose of administering mental health and disability services for its member counties.

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary 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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

D. Assets, 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 except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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, 2012, 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
Intangibles - Other	\$ 100,000
Intangibles - Right-of-way	50,000
Infrastructure	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

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

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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the roads and transportation function.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2012 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.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$245,220 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and uses of the County.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 115,000
	Special Revenue:	
	Rural Services	1,425,000
	Capital Projects	2,012,018
DARE Program	General	1,500
Debt Service	Special Revenue:	
	Logistics Tax Increment Financing	20,000
	Capital Projects	400,101
<b>Total</b>		<u>\$ 3,973,619</u>

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

#### (4) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 762,112	83,666	-	845,778
Construction in progress	6,790	183,008	(189,798)	-
Construction in progress, road network	578,580	4,062,809	(2,597,005)	2,044,384
Total capital assets not being depreciated	1,347,482	4,329,483	(2,786,803)	2,890,162
Capital assets being depreciated:				
Buildings	2,078,007	1,450,014	-	3,528,021
Improvements other than buildings	39,702	-	-	39,702
Equipment and vehicles	9,537,149	628,378	(127,012)	10,038,515
Infrastructure, road network	19,022,115	2,597,005	-	21,619,120
Infrastructure, other	1,434,241	189,798	-	1,624,039
Total capital assets being depreciated	32,111,214	4,865,195	(127,012)	36,849,397
Less accumulated depreciation for:				
Buildings	1,773,094	40,888	-	1,813,982
Improvements other than buildings	3,176	1,588	-	4,764
Equipment and vehicles	5,607,050	716,969	(97,254)	6,226,765
Infrastructure, road network	3,111,623	868,691	-	3,980,314
Infrastructure, other	145,883	34,345	-	180,228
Total accumulated depreciation	10,640,826	1,662,481	(97,254)	12,206,053
Total capital assets being depreciated, net	21,470,388	3,202,714	(29,758)	24,643,344
Governmental activities capital assets, net	\$ 22,817,870	7,532,197	(2,816,561)	27,533,506

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 57,844
County environment and education	63,389
Roads and transportation	1,466,770
Governmental services to residents	29,611
Administration	44,867
Total depreciation expense - governmental activities	<u>\$ 1,662,481</u>

**(5) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2012 is as follows:

Fund	Description	Amount
General	Services	\$ 12,941
Special Revenue:		
Mental Health	Services	6,762,669
Rural Services		1,425
Secondary Roads		38,079
		<u>6,802,173</u>
Total for governmental funds		<u>\$ 6,815,114</u>
Agency:		
County Agricultural Extension	Collections	\$ 127,474
County Assessor		545,968
Schools		10,016,852
Community Colleges		655,178
Corporations		3,498,743
Townships		218,131
City Special Assessments		209,604
Auto License and Use Tax		360,171
Empowerment Board		103,326
All other		78,236
Total for agency funds		<u>\$ 15,813,683</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	General Obligation Capital Loan Notes	General Obligation Urban Renewal Bonds	General Obligation Bonds	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 175,102	2,200,000	-	358,401	114,146	2,847,649
Increases	-	-	1,530,000	405,124	64,589	1,999,713
Decreases	19,541	135,000	-	431,501	-	586,042
Balance end of year	<u>\$ 155,561</u>	<u>2,065,000</u>	<u>1,530,000</u>	<u>332,024</u>	<u>178,735</u>	<u>4,261,320</u>
Due within one year	\$ 31,750	135,000	250,000	260,632	-	677,382

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 of \$18,600 is payable on May 1, 2016. The principal balance of the notes at June 30, 2012 totaled \$155,561.

General Obligation Urban Renewal Bonds

On August 31, 2010, the County issued \$2,200,000 of general obligation urban renewal bonds for the purpose of aiding in the planning, undertaking and carrying out urban renewal projects under the authority of Chapter 403 of the Code of Iowa and the Butler County Logistics Park Urban Renewal Area, including roadway reclamations, paving and right-of-way improvements. These bonds are payable from a continuing annual levy of property tax against all taxable property of the County. Annual debt service requirements to maturity for the general obligation urban renewal bond indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	1.10%	\$ 135,000	52,895	187,895
2014	1.40	140,000	51,410	191,410
2015	1.60	140,000	49,450	189,450
2016	1.80	145,000	47,210	192,210
2017	2.10	145,000	44,600	189,600
2018-2022	2.40-3.00	800,000	167,375	967,375
2023-2025	3.20-3.50	560,000	38,996	598,996
Total		\$ 2,065,000	451,936	2,516,936

During the year ended June 30, 2012, \$135,000 of bonds were retired and interest of \$54,042 was paid.

General Obligation Bonds

On September 27, 2011, the County issued \$1,530,000 of general obligation bonds for the purpose of constructing an equipment and maintenance facility. These bonds are payable from a continuing annual levy of property tax against all taxable property of the County. Annual debt service requirements to maturity for the general obligation bond indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	.60%	\$ 250,000	16,940	266,940
2014	.80	250,000	15,440	265,440
2015	1.00	250,000	13,440	263,440
2016	1.20	255,000	10,940	265,940
2017	1.40	260,000	7,880	267,880
2018	1.60	265,000	4,240	269,240
Total		\$ 1,530,000	68,880	1,598,880

**(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 general obligation capital loan notes, and a final payment of \$18,600 on May 1, 2016 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, 2012.

Year Ending June 30,	Total
2013	\$ 38,941
2014	38,941
2015	38,941
2016	57,542
Total minimum lease payments	174,365
Less amount representing interest	(18,804)
Present value of net minimum lease payments	<u>\$ 155,561</u>

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

The County has fifteen economic development loans receivable totaling \$109,992 at June 30, 2012 due from businesses located in Butler County. The loans were made to the businesses to promote economic development.

The loans are to be repaid to the County in monthly and quarterly installments over five years, with interest at 5% per annum. The loan repayments from the businesses remain in the Special Revenue, Economic Development Revolving Loan Fund for future loans to other businesses.

**(9) Pension 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 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$363,383, \$318,995 and \$297,344, respectively, equal to the required contributions for each year.

**(10) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 99 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 67,789
Interest on net OPEB obligation	2,854
Adjustment to annual required contribution	(6,054)
Annual OPEB cost	<u>64,589</u>
Contributions made	-
Increase in net OPEB obligation	<u>64,589</u>
Net OPEB obligation beginning of year	<u>114,146</u>
Net OPEB obligation end of year	<u>\$ 178,735</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, plan members eligible for benefits contributed \$45,895, or 100% of the premium costs.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 58,447	4.50%	\$ 55,823
2011	83,728	1.40	114,146
2012	64,589	0.00	178,735

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2012, the actuarial accrued liability was \$534,345, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$534,345. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,356,000 and the ratio of the UAAL to covered payroll was 12.3%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual health trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement and termination probabilities were developed from the aging curve based upon the 2006 Society of Actuaries Study.

Projected claim costs of the health plan are \$464 to \$1,531 per month for retirees less than age 65. Benefits are not related to salary levels. The UAAL is being amortized as a level dollar cost over 30 years.

#### **(11) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/ machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual 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 150% 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, 2012 were \$162,271.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 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, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, 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% 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.

**(12) Self-Funded Insurance Plan**

A Self Insurance account within the General Fund has been established by the County to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered by Advantage Administrators. 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 the administrator for service fees and medical claims for the year ended June 30, 2012 were \$9,111.

**(13) Mental Health and Disability Services Consortium**

The County is a member of County Social Services (CSS), a consortium established in accordance with the provisions of Chapters 28E and 331.440(3) of the Code of Iowa for the purpose of administering mental health and disability services for its member counties. The member counties are Black Hawk, Butler, Cerro Gordo, Floyd and Mitchell. Pursuant to the consortium agreement, Butler County is the operating agency. Each member county is represented on the consortium board, which is responsible for administering the consortium. As of July 1, 2012 additional member counties of the consortium include Wright, Grundy, Tama, Howard, Humboldt, Chickasaw, Kossuth, Pocahontas, Worth, Winnebago and Hancock.

In the County's role of fiscal agent for CSS, all revenues and expenditures for mental health and disability services for the member counties are combined and accounted for on the modified accrual basis of accounting by the County in its Special Revenue, Mental Health Fund. The County also approved the overall budget for CSS. Mental health revenues and expenditures are not maintained separately by member counties.

**(14) Financial Assurance**

The County participates in an agreement with the Rural Iowa Waste Management Association, a jointly governed organization 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, 2012 are \$2,990,500 and the County's financial assurance obligation is \$567,490.

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.

**(15) Construction Commitment**

The County has entered into a contract totaling \$2,839,647 for paving and road resurfacing. As of June 30, 2012, no costs on the project have been incurred. The balance on the contract at June 30, 2012 will be paid as work on the project progresses.

**(16) Early Childhood Iowa Area Board**

Butler County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the Area Board. The Area Board's financial data for the year ended June 30, 2012 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early Childhood	\$ 69,642	-	69,642
Family support and parent education	-	265,874	265,874
Preschool support for low-income families	-	116,738	116,738
Quality improvement	-	45,573	45,573
Allocation for administration	3,665	14,121	17,786
Other grant programs	-	28,393	28,393
Total state grants	73,307	470,699	544,006
Interest on investments	277	1,854	2,131
Total revenues	73,584	472,553	546,137
Expenditures:			
Program services:			
Early childhood	71,569	-	71,569
Family support and parent education	-	293,304	293,304
Preschool support for low income families	-	112,384	112,384
Quality improvement	-	44,021	44,021
Other program services	-	43,539	43,539
Total program services	71,569	493,248	564,817
Administration	3,899	11,053	14,952
Total expenditures	75,468	504,301	579,769
Change in fund balance	(1,884)	(31,748)	(33,632)
Fund balance beginning of year	10,845	102,101	112,946
Fund balance end of year	\$ 8,961	70,353	79,314

**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, 2012

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>Receipts:</b>				
Property and other county tax	\$ 6,129,772	6,181,796	6,181,796	(52,024)
Interest and penalty on property tax	41,774	8,000	8,000	33,774
Intergovernmental	36,955,511	29,958,853	37,242,319	(286,808)
Licenses and permits	19,830	13,790	13,790	6,040
Charges for service	553,693	583,970	583,970	(30,277)
Use of money and property	412,771	456,669	456,669	(43,898)
Miscellaneous	260,410	220,875	220,875	39,535
<b>Total receipts</b>	<b>44,373,761</b>	<b>37,423,953</b>	<b>44,707,419</b>	<b>(333,658)</b>
<b>Disbursements:</b>				
Public safety and legal services	1,943,971	2,125,630	2,148,130	204,159
Physical health and social services	1,334,828	1,428,248	1,432,248	97,420
Mental health	33,000,875	28,750,000	35,330,000	2,329,125
County environment and education	730,729	792,117	825,117	94,388
Roads and transportation	6,489,996	4,850,000	6,350,000	(139,996)
Governmental services to residents	471,891	527,815	534,815	62,924
Administration	1,516,775	1,555,288	1,681,992	165,217
Non-program	1,184	10,000	10,000	8,816
Debt service	238,648	228,010	239,174	526
Capital projects	1,811,647	3,075,000	4,135,000	2,323,353
<b>Total disbursements</b>	<b>47,540,544</b>	<b>43,342,108</b>	<b>52,686,476</b>	<b>5,145,932</b>
Excess (deficiency) of receipts over (under) disbursements	(3,166,783)	(5,918,155)	(7,979,057)	4,812,274
Other financing sources, net	1,526,940	-	1,530,000	(3,060)
Balance beginning of year	15,417,777	10,835,865	15,343,729	74,048
Balance end of year	<u>\$ 13,777,934</u>	<u>4,917,710</u>	<u>8,894,672</u>	<u>4,883,262</u>

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, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 44,373,761	438,263	44,812,024
Expenditures	47,540,544	(2,188,751)	45,351,793
Net	(3,166,783)	2,627,014	(539,769)
Other financing sources, net	1,526,940	-	1,540,867
Beginning fund balances	15,417,777	-	5,737,663
Ending fund balances	\$ 13,777,934	2,627,014	6,738,761

See accompanying independent auditor's report.

Butler County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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 \$9,344,368. 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.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the roads and transportation function.



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Butler County

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 576	576	0.00%	\$ 4,345	13.30%
2011	Jul 1, 2009	-	569	569	0.00	4,468	12.70
2012	Jul 1, 2009	-	534	534	0.00	4,356	12.30

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

**Butler County**

## **Supplementary Information**

Butler County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2012

	Economic Development Revolving Loan	Sheriff's Commissary and Telephone	Seized and Forfeited Property	Sesquicentennial Memorial
<b>Assets</b>				
Cash and pooled investments	\$ 113,763	9,059	9,156	736
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year property tax	-	-	-	-
Economic development loans	109,992	-	-	-
<b>Total assets</b>	<b>\$ 223,755</b>	<b>9,059</b>	<b>9,156</b>	<b>736</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	109,992	-	-	-
Total liabilities	109,992	-	-	-
Fund balances:				
Restricted for other purposes	113,763	9,059	9,156	736
<b>Total liabilities and fund balances</b>	<b>\$ 223,755</b>	<b>9,059</b>	<b>9,156</b>	<b>736</b>

See accompanying independent auditor's report.

Special Revenue								
County Recorder's Records Management	DARE Program	Canine	Conservation Trust	Resource Enhancement and Protection	Logistics Tax Increment Financing	Debt Service	Capital Projects	Total
22,403	1,205	1,352	191,445	98,642	4,997	401,496	456,886	1,311,140
-	-	-	-	-	-	599	-	599
-	-	-	-	-	27,000	215,000	-	242,000
-	-	-	-	-	-	-	-	109,992
22,403	1,205	1,352	191,445	98,642	31,997	617,095	456,886	1,663,731
-	-	158	-	-	-	-	-	158
-	-	-	-	413	-	-	-	413
-	-	-	-	-	27,000	215,000	-	242,000
-	-	-	-	-	-	599	-	110,591
-	-	158	-	413	27,000	215,599	-	353,162
22,403	1,205	1,194	191,445	98,229	4,997	401,496	456,886	1,310,569
22,403	1,205	1,352	191,445	98,642	31,997	617,095	456,886	1,663,731

Butler County

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

Year ended June 30, 2012

	Economic Development Revolving Loan	Sheriff's Commissary and Telephone	Seized and Forfeited Property	Special Sesquicentennial Memorial
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Use of money and property	37,451	-	-	7
Miscellaneous	-	-	-	-
Total revenues	37,451	-	-	7
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	36,029	-	-	-
Governmental services to residents	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	36,029	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,422	-	-	7
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
General obligation bonds issued	-	-	-	-
Net discount on bonds issued	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balances	1,422	-	-	7
Fund balances beginning of year	112,341	9,059	9,156	729
Fund balances end of year	\$ 113,763	9,059	9,156	736

See accompanying independent auditor's report.

Revenue								
County Recorder's Records Management	DARE Program	Canine	Conservation Trust	Resource Enhancement and Protection	Logistics Tax Increment Financing	Debt Service	Capital Projects	Total
-	-	-	-	-	24,945	158,396	-	183,341
-	-	-	40,000	11,256	52	6,931	-	58,239
3,433	-	-	-	-	-	-	-	3,433
211	-	-	1,662	883	-	-	12,852	53,066
-	-	1,133	8,557	-	-	15,774	23,161	48,625
3,644	-	1,133	50,219	12,139	24,997	181,101	36,013	346,704
-	295	158	-	-	-	-	-	453
-	-	-	43,297	8,171	-	-	-	87,497
8,923	-	-	-	-	-	-	-	8,923
-	-	-	-	-	-	199,706	-	199,706
-	-	-	-	6,790	-	-	-	6,790
8,923	295	158	43,297	14,961	-	199,706	-	303,369
(5,279)	(295)	975	6,922	(2,822)	24,997	(18,605)	36,013	43,335
-	1,500	-	-	-	-	420,101	-	421,601
-	-	-	-	-	(20,000)	-	(2,412,119)	(2,432,119)
-	-	-	-	-	-	-	1,530,000	1,530,000
-	-	-	-	-	-	-	(3,060)	(3,060)
-	1,500	-	-	-	(20,000)	420,101	(885,179)	(483,578)
(5,279)	1,205	975	6,922	(2,822)	4,997	401,496	(849,166)	(440,243)
27,682	-	219	184,523	101,051	-	-	1,306,052	1,750,812
22,403	1,205	1,194	191,445	98,229	4,997	401,496	456,886	1,310,569

Butler County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,995	186,213	138,992	8,502
Other County officials	117,395	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	479	1,335	39,860	2,676
Succeeding year	-	125,000	374,000	9,838,000	644,000
Accounts	366	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 117,761</b>	<b>127,474</b>	<b>561,548</b>	<b>10,016,852</b>	<b>655,178</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	52	-	-
Salaries and benefits payable	-	-	5,690	-	-
Due to other governments	12,677	127,474	545,968	10,016,852	655,178
Trusts payable	105,084	-	-	-	-
Compensated absences	-	-	9,838	-	-
<b>Total liabilities</b>	<b>\$ 117,761</b>	<b>127,474</b>	<b>561,548</b>	<b>10,016,852</b>	<b>655,178</b>

See accompanying independent auditor's report.



Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Other	Total
44,568	3,301	6,909	360,171	164,834	45,153	960,638
-	-	-	-	-	-	117,395
12,175	830	-	-	-	87	57,442
3,442,000	214,000	-	-	-	2,000	14,639,000
-	-	-	-	-	14,104	14,470
-	-	202,695	-	-	-	202,695
-	-	-	-	-	8,213	8,213
<u>3,498,743</u>	<u>218,131</u>	<u>209,604</u>	<u>360,171</u>	<u>164,834</u>	<u>69,557</u>	<u>15,999,853</u>
-	-	-	-	61,508	1,353	62,913
-	-	-	-	-	1,501	7,191
3,498,743	218,131	209,604	360,171	103,326	65,559	15,813,683
-	-	-	-	-	1,144	106,228
-	-	-	-	-	-	9,838
<u>3,498,743</u>	<u>218,131</u>	<u>209,604</u>	<u>360,171</u>	<u>164,834</u>	<u>69,557</u>	<u>15,999,853</u>

Butler County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2012

	Agricultural		County Assessor	Schools	Community Colleges	Corpora- tions
	County Offices	Extension Education				
<b>Assets and Liabilities</b>						
Balances beginning of year	\$ 112,705	142,633	489,174	9,971,300	631,338	4,374,773
Additions:						
Property and other county tax	-	125,636	374,720	9,863,564	646,095	3,339,330
E911 surcharge	-	-	-	-	-	-
State tax credits	-	6,339	15,171	442,324	27,352	184,954
Office fees and collections	306,132	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	273,297	-	-	-	-	-
Miscellaneous	-	-	1,861	-	-	-
Total additions	579,429	131,975	391,752	10,305,888	673,447	3,524,284
Deductions:						
Agency remittances:						
To other funds	145,753	-	-	-	-	-
To other governments	161,313	147,134	319,378	10,260,336	649,607	4,400,314
Trusts paid out	267,307	-	-	-	-	-
Total deductions	574,373	147,134	319,378	10,260,336	649,607	4,400,314
Balances end of year	\$ 117,761	127,474	561,548	10,016,852	655,178	3,498,743

See accompanying independent auditor's report.

Townships	City Special Assess- ments	Auto License and Use Tax	Empowerment Board	Empowerment Board-ARRA	Other	Total	
	227,277	265,336	359,996	206,729	13,113	89,489	16,883,863
	216,943	-	-	-	-	3,587	14,569,875
	-	-	-	-	-	94,715	94,715
	9,451	-	-	-	-	96	685,687
	-	-	-	-	-	3,883	310,015
	-	-	4,503,343	-	-	105	4,503,448
	-	35,718	-	-	-	-	35,718
	-	-	-	-	-	-	273,297
	-	681	-	546,386	-	86,896	635,824
	226,394	36,399	4,503,343	546,386	-	189,282	21,108,579
	-	-	145,995	-	-	-	291,748
	235,540	92,131	4,357,173	588,281	13,113	209,214	21,433,534
	-	-	-	-	-	-	267,307
	235,540	92,131	4,503,168	588,281	13,113	209,214	21,992,589
	218,131	209,604	360,171	164,834	-	69,557	15,999,853

Butler County

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

For the Last Ten Years

	2012*	2011*	2010	Modified 2009
<b>Revenues:</b>				
Property and other county tax	\$ 5,697,329	5,114,544	4,916,248	4,799,419
Local option sales tax	410,548	462,876	442,994	480,410
Interest and penalty on property tax	41,774	48,872	47,053	36,458
Intergovernmental	37,301,942	27,394,705	5,797,705	7,530,529
Licenses and permits	19,470	15,030	15,565	15,653
Charges for service	649,824	478,693	481,389	453,012
Use of money and property	410,976	494,374	413,591	383,842
Miscellaneous	280,161	291,830	241,445	301,275
<b>Total</b>	<b>\$ 44,812,024</b>	<b>34,300,924</b>	<b>12,355,990</b>	<b>14,000,598</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,985,563	1,811,092	1,762,804	1,666,888
Physical health and social services	1,321,121	1,440,316	1,423,468	1,329,711
Mental health	31,106,457	24,384,286	1,305,470	1,294,403
County environment and education	739,409	648,780	671,898	686,139
Roads and transportation	6,036,761	5,042,205	4,451,830	5,245,618
Governmental services to residents	471,289	428,521	446,943	414,465
Administration	1,476,114	1,501,098	1,351,304	1,210,085
Non-program	1,184	17,785	39,702	200,000
Debt service	238,647	77,372	38,942	38,941
Capital projects	1,975,248	2,277,336	643,210	2,019,732
<b>Total</b>	<b>\$ 45,351,793</b>	<b>37,628,791</b>	<b>12,135,571</b>	<b>14,105,982</b>

\* Fiscal years 2012 and 2011 include the mental health activity of County Social Services.

See accompanying independent auditor's report.

Accrual Basis					
2008	2007	2006	2005	2004	2003
4,251,927	3,743,826	3,561,583	3,464,513	3,864,259	3,679,412
484,244	400,484	361,660	355,695	359,123	281,830
32,746	31,670	31,023	34,668	41,696	35,204
6,125,937	5,382,914	5,374,120	5,316,619	5,088,430	5,847,451
14,649	9,635	12,145	11,565	15,943	6,510
464,111	454,952	472,080	435,257	498,244	452,385
446,133	401,199	320,098	257,798	265,270	304,188
339,052	233,974	224,330	293,094	189,405	261,049
12,158,799	10,658,654	10,357,039	10,169,209	10,322,370	10,868,029
1,578,721	1,510,726	1,425,712	1,382,591	1,268,846	1,263,978
1,354,701	1,384,986	1,383,611	1,184,164	1,153,795	1,236,351
1,411,156	1,446,563	1,285,834	1,165,030	1,114,860	1,114,443
664,791	616,714	624,155	561,758	588,832	1,306,388
4,028,374	3,970,296	3,975,554	3,747,559	3,559,552	3,636,570
389,465	386,920	447,203	450,844	269,112	245,312
1,232,630	1,142,270	1,103,411	1,099,842	1,287,024	1,241,945
7,017	7,018	-	60	-	832
38,941	38,941	69,658	49,334	37,413	45,052
977,440	725,176	936,339	512,391	1,440,397	754,202
11,683,236	11,229,610	11,251,477	10,153,573	10,719,831	10,845,073

**Butler County**

Butler County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2012

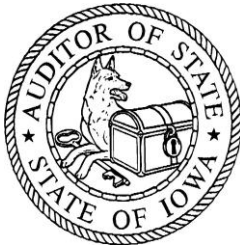
Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Supplemental Nutrition Assistance	10.561		\$ 17,737
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-ES-C012(75)-8I-12	176,911
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5881BT202	13,210
Public Health Emergency Preparedness	93.069	5882BT202	99,634
Public Health Emergency Preparedness	93.069	5881BT312	23,555
Public Health Emergency Preparedness	93.069	5882BT12	12,969
			<u>149,368</u>
Immunization Grants	93.268	5881I410 & 5882I410	2,617
Center for Disease Control and Prevention:			
Investigations and Technical Assistance	93.283	5882NB03	13,943
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,915
Foster Care - Title IV-E	93.658		6,477
Refugee and Entrant Assistance_State Administered Programs	93.566		28
Adoption Assistance	93.659		1,890
Children's Health Insurance Program	93.767		61
Medical Assistance Program	93.778		16,674
Social Services Block Grant	93.667		5,657
Social Services Block Grant	93.667		1,173,544
			<u>1,179,201</u>
U.S. Department of Homeland Security:			
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	206,008
Emergency Management Performance Grants	97.042	EMPG-12-PT-12	24,858
Total			<u>\$ 1,799,688</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 in 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

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Des Moines, Iowa 50319-0004

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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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 12, 2013. 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

Management of Butler County is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-B-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-12 to be a significant deficiency.

## Compliance and Other Matters


As part of obtaining reasonable assurance about whether Butler County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in 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, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Butler County's responses to the findings 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

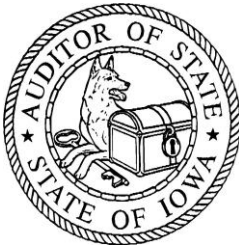


WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 12, 2013

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**Butler County**



OFFICE OF AUDITOR OF STATE  
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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Officials of Butler County:

Compliance

We have audited Butler County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Butler County's major federal program for the year ended June 30, 2012. Butler County's major federal program is 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 its major federal program is 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 could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

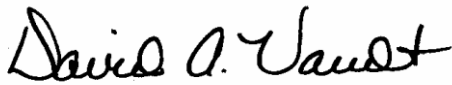
The management of Butler County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Butler County's internal 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in the internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal

control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance 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

March 12, 2013

Butler County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (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 program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (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 program was CFDA Number 93.667 – Social Services Block Grant.
- (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, 2012

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 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:

	<u>Applicable Offices</u>
Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	County Treasurer and County 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 Office to ensure adequate coverage of all Office responsibilities when necessary.

Responses –

County Treasurer – With a limited number of people in our office to cover three departments, it is difficult to segregate duties. We do rotate daily reconciliations and duties in both the tax and motor vehicle departments. All employees are cross trained to ensure more than one person is involved with each transaction. We review incoming mail and bank reconciliations with the Butler County Recorder.

County Recorder – While the Recorder's Office has a limited staff of three, we will do our best to segregate the duties as much as possible. We currently have the Treasurer's Office check bank reconciliations monthly, as well as deposit preparation/checks received on a weekly basis.

Conclusions – Responses accepted.

II-B-12 Financial Reporting – During the audit, we identified material amounts of infrastructure capital assets not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all infrastructure capital assets are identified and included in the County's financial statements.



Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Response – The County Finance Clerk has now been instructed as to correct procedures to ensure accuracy in the future.

Conclusion – Response accepted.

- II-C-12 County Sheriff – Gun permit monies were not always deposited intact on a timely basis. Additionally, gun permits per the cashbook were not reconciled with the monthly gun permit report. Gun permit collections were not remitted to the County and State on a monthly basis as required.

Recommendation – All money received should be deposited intact on a timely basis. Gun permits per the cashbook should be reconciled with the monthly gun permit report. Gun permit collections should be remitted to the County and State on a monthly basis as required.

Response – My response to this review is two parts. The first issue I will address is the fact that the account was not short on funds but was actually \$110 long. This amount indicates that after processing over 500 weapon permits while addressing the new weapon permit law and the issues with it, we have made a good faith effort to maintain accurate records and serve the public needs regarding weapon permits.

The second part of my response can address my understanding that the State Auditor has concluded that this issue may have been found had the money been tallied and on a month by month “Timely” basis instead of using a longer period of time. That conclusion seems to be appropriate and should ease the issue of reconciling the cash with the gun permit report. Our staff will reconcile the account and gun permit report, and complete the transfer to the County Treasurer on a month by month basis.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Butler County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the roads and transportation function.

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

Response – The County Engineer and staff will more closely monitor secondary roads disbursements in both the roads and transportation function and the capital projects function noting the two service areas are separate and should be treated as such.

Conclusion – Response accepted.

IV-B-12 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-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-12 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tamara Fleshner, Public Health, Independent contractor	CPR training	\$ 165

In accordance with Chapter 331.342(10) of the Code of Iowa, 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-12 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-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-12 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.

IV-H-12 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).

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-I-12 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, 2012 for the County Extension Office did not exceed the amount budgeted.

Certain minutes of the County Agricultural Extension Council were not signed as required by Chapter 176A.14(3) of the Code of Iowa.

Recommendation - The minutes should be signed to authenticate the record as required.

Response – We will record and sign our minutes in a timely fashion.

Conclusion – Response accepted.

IV-J-12 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

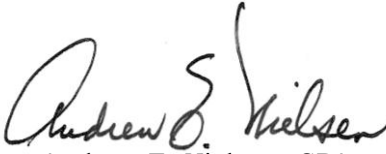
No instances of non-compliance were noted as a result of the audit procedures performed.

Butler County

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager  
Darryl J. Brumm, CPA, Senior Auditor II  
Kelly L. Hilton, Senior Auditor  
Russell G. Jordan, CPA, Staff Auditor  
William B. Corley, Assistant Auditor  
Thomas S. Hebert, Assistant Auditor  
Benjamin D. Scieszinski, Auditor Intern

A handwritten signature in black ink, appearing to read "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State