



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 13, 2009

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$17,206,711 for the year ended June 30, 2008, which included \$1,151,938 in tax credits from the state.

The County retained \$4,543,367 of the local tax revenue to finance County operations, a 14% increase over the prior year. Other revenues included charges for service of \$993,353, operating grants, contributions and restricted interest of \$5,259,277, capital grants, contributions and restricted interest of \$1,995,885, local option sales tax of \$484,244, unrestricted investment earnings of \$210,549 and other general revenues of \$485,260. The significant increase in revenue is primarily due to increases in property tax, grants for a bike trail and FEMA funds due to damages incurred during the ice storms, flooding and the Parkersburg tornado during the year ended June 30, 2008.

Expenses for County operations totaled \$11,830,456, a 5.3% increase over the prior year. Expenses included \$4,907,565 for roads and transportation, \$1,693,595 for public safety and legal services and \$1,382,173 for mental health.

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

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BUTLER COUNTY

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

JUNE 30, 2008

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Butler County

Officials

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

Butler County



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Independent Auditor's Report

To the Officials of Butler County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County, Iowa, as of and for the year ended June 30, 2008, 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.

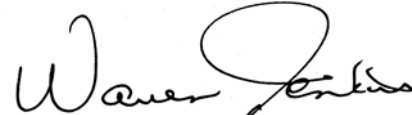
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Butler County at June 30, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2009 on our consideration of Butler County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Butler County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 18, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Butler County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Governmental activities revenues increased approximately \$1,354,000, or 10.7%, from fiscal 2007 to fiscal 2008. Operating grants and contributions increased \$564,645, or 12%, property tax increased \$534,135, or 14.4%, capital grants and contributions increased \$136,404, or 7.3%, and charges for service increased \$92,394, or 10.3%.
- Governmental activities expenses increased approximately \$599,000, or 5.3%, from fiscal 2007 to fiscal 2008. Roads and transportation expenses increased \$297,825, or 6.5%, county environment and education expenses increased \$147,335, or 22.4%, administration expenses increased \$140,997, or 12.6%, and public safety and legal services expenses increased \$105,541, or 6.6%. Mental health expenses decreased \$64,390, or 4.5%, and physical health and social services expenses decreased \$33,828, or 2.4%.
- Net assets increased 10.6%, or \$2,149,479, from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Butler County's net assets at June 30, 2008 totaled \$22,422,949. This compares to \$20,281,470 at the end of fiscal 2007. The analysis that follows focuses on the net assets of governmental activities.

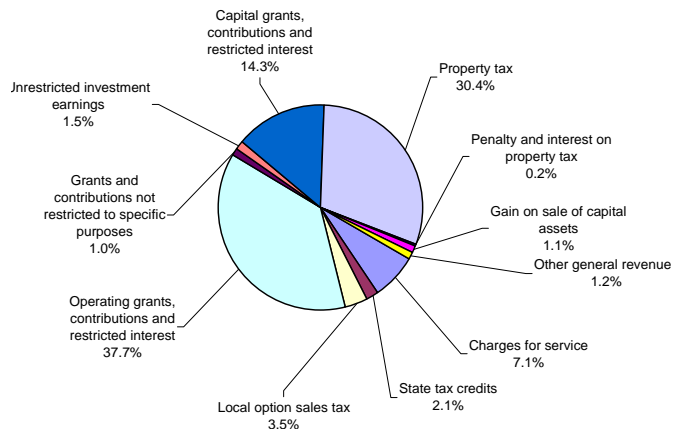
Net Assets of Governmental Activities		
	June 30,	
	2008	2007
Current and other assets	\$ 12,300,072	11,317,749
Capital assets	15,909,838	14,617,720
Total assets	<u>28,209,910</u>	<u>25,935,469</u>
Long-term liabilities	611,899	589,767
Other liabilities	5,175,062	5,064,232
Total liabilities	<u>5,786,961</u>	<u>5,653,999</u>
Net assets:		
Invested in capital assets	15,909,838	14,617,720
Restricted	4,392,876	3,687,181
Unrestricted	<u>2,120,235</u>	<u>1,976,569</u>
Total net assets	<u>\$ 22,422,949</u>	<u>20,281,470</u>

Net assets of Butler County's governmental activities increased approximately \$2.1 million. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are approximately \$2,120,000 at June 30, 2008.

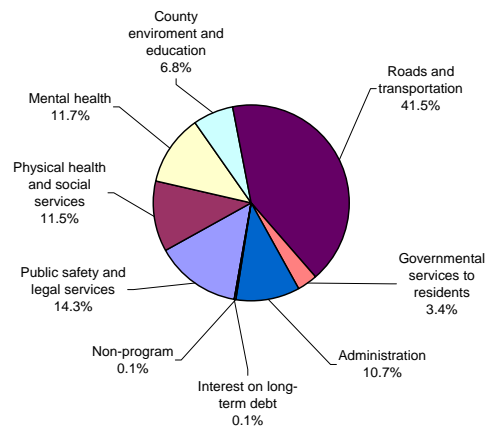
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 993,353	900,959
Operating grants, contributions and restricted interest	5,259,277	4,694,632
Capital grants, contributions and restricted interest	1,995,885	1,859,481
General revenues:		
Property tax	4,247,317	3,713,182
Penalty and interest on property tax	32,746	31,670
State tax credits	296,050	272,180
Local option sales tax	484,244	400,484
Grants and contributions not restricted to specific purposes	141,261	131,503
Unrestricted investment earnings	210,549	245,523
Gain on sale of capital assets	147,880	219,235
Other general revenues	163,373	148,604
Total revenues	13,971,935	12,617,453
Program expenses:		
Public safety and legal services	1,693,595	1,588,054
Physical health and social services	1,355,545	1,389,373
Mental health	1,382,173	1,446,563
County environment and education	805,323	657,988
Roads and transportation	4,907,565	4,609,740
Governmental services to residents	406,727	397,646
Administration	1,260,077	1,119,080
Non-program	6,017	8,018
Interest on long-term debt	13,434	14,653
Total expenses	11,830,456	11,231,115
Increase in net assets	2,141,479	1,386,338
Net assets beginning of year	20,281,470	18,895,132
Net assets end of year	\$ 22,422,949	20,281,470

Revenue by Source



Expenses by Program



Butler County increased property tax rates for fiscal year 2008 by an average of 8.4%. The County increased the general supplemental property tax levy rate \$0.49 per \$1,000 of taxable valuation. The mental health property tax levy rate decreased \$0.03 per \$1,000 of taxable valuation. The rural services property tax levy rate was increased \$0.25 per \$1,000 of taxable valuation. Property tax revenue for fiscal year 2009 are budgeted to increase approximately \$359,000 due to an increase in property valuation and an increase in levy rates of \$0.16 per \$1,000 of taxable valuation.

INDIVIDUAL MAJOR FUND ANALYSIS

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

- The General Fund, the operating fund for Butler County, ended fiscal 2008 with a fund balance of \$2,227,064. This was an increase from fiscal 2007, which ended at \$1,995,081. The increase was due to an increase in property tax revenue.
- The Special Revenue, Mental Health Fund balance ended fiscal 2008 with a deficit fund balance of \$23,352. This is an increase from fiscal year 2007, which ended at a deficit balance of \$54,090. The increase was due primarily to an increase in state allocations and a decrease in mental health expenditures during the year.
- The Special Revenue, Rural Services Fund ended fiscal 2008 with a fund balance of \$509,240, a decrease of \$109,622 from the ending balance for fiscal 2007. There were no significant changes in revenue or expenditures. Transfers to the Secondary Roads Fund increased \$132,970 over fiscal year 2007.
- The Special Revenue, Secondary Roads Fund ended fiscal 2008 with a fund balance of \$3,495,643. This is an increase of \$488,424. The increase was due primarily to the receipt of funds from FEMA for damages incurred with the tornado and flooding during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Butler County amended its budget two times. The first amendment was made in March 2008 and resulted in an increase in budgeted disbursements of \$51,000 to cover increased costs for autopsies, additional revolving loans, a special school election, as well as the ability to expend grant funds received for Veteran's Affairs.

The second amendment occurred in May 2008. This amendment resulted in increased budgeted disbursements of \$200,000 for the high quality job creation program pass-through grant to Unverferth Manufacturing Company, Inc.

The County's receipts were approximately \$422,020 more than budgeted, a variance of 3.7%, due to increased earnings on investments and increased miscellaneous revenues.

Total disbursements were \$1,422,965 less than the amended budget. Capital projects disbursements were \$638,345 less than budgeted due to a delay in paving the bike trail and reduced roadway spending. The remaining decrease of \$784,620 was accomplished by reduced spending in all areas.

The County did not exceed the budgeted amounts in any function for the year ended June 30, 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, Butler County had approximately \$15.9 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 \$1.3 million over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2008	2007
Land	\$ 374,570	374,570
Construction in progress	534,000	91,223
Buildings	97,574	104,464
Equipment and vehicles	3,674,630	4,045,230
Infrastructure	11,229,064	10,002,233
Total	\$ 15,909,838	14,617,720
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation		\$ 1,426,207
Replacement of two dump trucks by Secondary Roads		236,880
Bike trail paving project at Heery Woods and Wilder Park		428,781
Other equipment and vehicles		235,707
Total		\$ 2,327,575

The County had depreciation expense in fiscal 2008 of \$1,133,683 and total accumulated depreciation of approximately \$8.3 million at June 30, 2008. The County's fiscal year 2008 capital projects budget included \$1,634,000 for capital projects, principally for completion of a county conservation bike trail and several bridge projects. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2008, Butler County had \$258,733 in outstanding general obligation capital loan notes, compared to \$283,917 at June 30, 2007.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Butler County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$42,638,000. 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 2009 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County for 2008 was 4.2%. This was slightly higher than the State's unemployment rate of 4.0%, but well below the national rate of 5.8% for the same period.

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

The FY2009 budgeted receipts decreased approximately \$25,000 under the FY2008 actual receipts. Budgeted FY2009 disbursements increased approximately \$1,426,000 over the FY2008 actual disbursements, primarily due to road projects/repairs from flooding in June 2008.

The County has added no major new programs or initiatives to the 2009 budget. However, increased disbursements are anticipated due to damages the County sustained in the severe weather incidents of May and June.

If these estimates are realized, the County's fund balances are expected to decrease approximately \$1.3 million at the close of 2009.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Butler County

Basic Financial Statements

Exhibit A

Butler County
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,353,119
Receivables:	
Property tax:	
Delinquent	20,061
Succeeding year	4,620,000
Interest and penalty on property tax	56,577
Accounts	220,531
Economic development loans	90,370
E911 lease	258,732
Due from other governments	1,181,185
Inventories	324,723
Prepaid insurance	174,774
Capital assets (net of accumulated depreciation)	15,909,838
Total assets	<u>28,209,910</u>
Liabilities	
Accounts payable	231,163
Salaries and benefits payable	109,302
Accrued interest payable	3,213
Due to other governments	211,384
Deferred revenue:	
Succeeding year property tax	4,620,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital loan notes	26,521
Compensated absences	284,664
Portion due or payable after one year:	
Capital loan notes	232,212
Compensated absences	68,502
Total liabilities	<u>5,786,961</u>
Net Assets	
Invested in capital assets	15,909,838
Restricted for:	
Supplemental levy purposes	82,720
Secondary roads purposes	3,449,570
Other purposes	860,586
Unrestricted	2,120,235
Total net assets	<u>\$ 22,422,949</u>

See notes to financial statements.

Butler County
Statement of Activities
Year ended June 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,693,595	196,357	69,131	-	(1,428,107)
Physical health and social services	1,355,545	337,458	838,272	-	(179,815)
Mental health	1,382,173	12,915	1,041,189	-	(328,069)
County environment and education	805,323	42,072	248,108	247,413	(267,730)
Roads and transportation	4,907,565	148,759	2,950,094	1,748,472	(60,240)
Governmental services to residents	406,727	242,625	112,483	-	(51,619)
Administration	1,260,077	13,167	-	-	(1,246,910)
Non-program	6,017	-	-	-	(6,017)
Interest on long-term debt	13,434	-	-	-	(13,434)
Total	\$ 11,830,456	993,353	5,259,277	1,995,885	(3,581,941)
General Revenues:					
Property and other county tax levied for general purposes					4,247,317
Penalty and interest on property tax					32,746
State tax credits					296,050
Local option sales tax					484,244
Grants and contributions not restricted to specific purpose					141,261
Unrestricted investment earnings					210,549
Gain on the disposition of capital assets					158,880
Miscellaneous					152,373
Total general revenues					5,723,420
Change in net assets					2,141,479
Net assets beginning of year					20,281,470
Net assets end of year					\$ 22,422,949

See notes to financial statements.

Butler County
Balance Sheet
Governmental Funds

June 30, 2008

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,685,844	192,285	433,135
Receivables:			
Property tax:			
Delinquent	12,035	1,697	6,329
Succeeding year	2,770,000	364,000	1,486,000
Interest and penalty on property tax	56,577	-	-
Accounts	41,069	-	-
Economic development loans	-	-	-
E911 lease	258,732	-	-
Due from other governments	350,744	17	94,541
Inventories	-	-	-
Prepaid insurance	93,223	-	-
Total assets	\$ 5,268,224	557,999	2,020,005
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 40,658	37,239	8,324
Salaries and benefits payable	65,150	71	6,312
Due to other governments	29,043	178,344	3,800
Deferred revenue:			
Succeeding year property tax	2,770,000	364,000	1,486,000
Other	136,309	1,697	6,329
Total liabilities	<u>3,041,160</u>	<u>581,351</u>	<u>1,510,765</u>
Fund balances:			
Reserved for:			
Supplemental levy purposes	81,030	-	-
E911 lease receivable	258,732	-	-
Unreserved:			
Undesignated, reported in:			
General fund	1,887,302	-	-
Special revenue funds	-	(23,352)	509,240
Total fund balances	<u>2,227,064</u>	<u>(23,352)</u>	<u>509,240</u>
Total liabilities and fund balances	\$ 5,268,224	557,999	2,020,005

See notes to financial statements.

<u>Secondary</u>		
<u>Roads</u>	<u>Nonmajor</u>	<u>Total</u>
2,549,312	492,543	5,353,119
-	-	20,061
-	-	4,620,000
-	-	56,577
179,430	32	220,531
-	90,370	90,370
-	-	258,732
715,252	20,631	1,181,185
324,723	-	324,723
81,551	-	174,774
<u>3,850,268</u>	<u>603,576</u>	<u>12,300,072</u>
144,927	15	231,163
37,356	413	109,302
197		211,384
-	-	4,620,000
172,145	91,847	408,327
<u>354,625</u>	<u>92,275</u>	<u>5,580,176</u>
-	-	81,030
-	-	258,732
-	-	1,887,302
<u>3,495,643</u>	<u>511,301</u>	<u>4,492,832</u>
<u>3,495,643</u>	<u>511,301</u>	<u>6,719,896</u>
<u>3,850,268</u>	<u>603,576</u>	<u>12,300,072</u>

Butler County

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

June 30, 2008

Total governmental fund balances (page 19) \$ 6,719,896

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is 24,172,410 and the accumulated depreciation is \$8,262,572. 15,909,838

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 408,327

Long-term liabilities, including capital loan notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (615,112)

Net assets of governmental activities (page 16) \$ 22,422,949

See notes to financial statements.

Butler County

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

Year ended June 30, 2008

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,583,041	364,265	1,546,743
Interest and penalty on property tax	32,746	-	-
Intergovernmental	1,383,184	1,064,714	236,732
Licenses and permits	-	-	7,550
Charges for service	416,614	12,915	900
Use of money and property	292,753	-	-
Miscellaneous	114,391	-	-
Total revenues	<u>4,822,729</u>	<u>1,441,894</u>	<u>1,791,925</u>
Expenditures:			
Operating:			
Public safety and legal services	1,218,860	-	359,861
Physical health and social services	1,354,701	-	-
Mental health	-	1,411,156	-
County environment and education	306,627	-	296,706
Roads and transportation	-	-	49,654
Governmental services to residents	382,789	-	6,676
Administration	1,231,663	-	-
Non-program	7,017	-	-
Debt service	38,941	-	-
Capital projects	-	-	-
Total expenditures	<u>4,540,598</u>	<u>1,411,156</u>	<u>712,897</u>
Excess (deficiency) of revenues over (under) expenditures	<u>282,131</u>	<u>30,738</u>	<u>1,079,028</u>
Other financing sources (uses):			
Sale of capital assets	652	-	-
Insurance recoveries	19,531	-	-
Operating transfers in	-	-	-
Operating transfers out	(70,331)	-	(1,188,650)
Total other financing sources (uses)	<u>(50,148)</u>	<u>-</u>	<u>(1,188,650)</u>
Net change in fund balances	231,983	30,738	(109,622)
Fund balances beginning of year	<u>1,995,081</u>	<u>(54,090)</u>	<u>618,862</u>
Fund balances end of year	<u>\$ 2,227,064</u>	<u>(23,352)</u>	<u>509,240</u>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
242,122	-	4,736,171
-	-	32,746
3,158,643	282,664	6,125,937
7,099	-	14,649
30,938	2,744	464,111
1,991	151,389	446,133
123,800	100,861	339,052
3,564,593	537,658	12,158,799
-	-	1,578,721
-	-	1,354,701
-	-	1,411,156
-	61,458	664,791
3,978,720	-	4,028,374
-	-	389,465
-	967	1,232,630
-	-	7,017
-	-	38,941
472,478	504,962	977,440
4,451,198	567,387	11,683,236
(886,605)	(29,729)	475,563
12,952	-	13,604
123,427	-	142,958
1,238,650	20,331	1,258,981
-	-	(1,258,981)
1,375,029	20,331	156,562
488,424	(9,398)	632,125
3,007,219	520,699	6,087,771
3,495,643	511,301	6,719,896

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, 2008

Net change in fund balances - Total governmental funds (page 23) \$ 632,125

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

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

Expenditures for capital assets	\$ 1,158,474	
Capital assets contributed by the Iowa Department of Transportation	1,426,207	
Depreciation expense	<u>(1,133,683)</u>	1,450,998

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (158,880)

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	(4,610)	
Other	<u>243,652</u>	239,042

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. 25,184

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	(47,316)	
Interest on long-term debt	<u>326</u>	<u>(46,990)</u>

Change in net assets of governmental activities (page 17) \$ 2,141,479

See notes to financial statements.

Butler County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,450,359
Other county officials	112,496
Receivables:	
Property tax:	
Delinquent	49,028
Succeeding year	12,655,000
Accounts	21,087
Special assessments	163,422
Due from other governments	28,218
Total assets	14,479,610

Liabilities

Accounts payable	249,641
Salaries and benefits payable	5,628
Due to other governments	14,111,126
Trusts payable	106,803
Compensated absences	6,412
Total liabilities	14,479,610

Net assets	\$ -
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See notes to financial statements.

Butler County

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and comp hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 50,000
	Special Revenue:	
	Rural Services	1,188,650
Conservation Land Acquisition	General	<u>20,331</u>
Total		<u>\$ 1,258,981</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, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 374,570	-	-	374,570
Construction in progress	91,223	1,690,851	(1,248,074)	534,000
Total capital assets not being depreciated	465,793	1,690,851	(1,248,074)	908,570
Capital assets being depreciated:				
Buildings	1,868,199	-	-	1,868,199
Equipment and vehicles	8,817,668	472,588	(420,266)	8,869,990
Infrastructure, other	733,314	428,781	-	1,162,095
Infrastructure, road network	10,115,482	1,248,074	-	11,363,556
Total capital assets being depreciated	21,534,663	2,149,443	(420,266)	23,263,840
Less accumulated depreciation for:				
Buildings	1,763,734	6,891	-	1,770,625
Equipment and vehicles	4,772,439	676,768	(253,847)	5,195,360
Infrastructure, other	46,182	22,960	-	69,142
Infrastructure, road network	800,381	427,064	-	1,227,445
Total accumulated depreciation	7,382,736	1,133,683	(253,847)	8,262,572
Total capital assets being depreciated, net	14,151,927	1,015,760	(166,419)	15,001,268
Governmental activities capital assets, net	\$ 14,617,720	2,706,611	(1,414,493)	15,909,838

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 134,025
County environment and education	42,005
Roads and transportation	892,055
Governmental services to residents	15,831
Administration	49,767
Total depreciation expense - governmental activities	\$ 1,133,683

(5) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 29,043
Special Revenue:		
Mental Health	Services	178,344
Rural Services	Services	3,800
Secondary Roads	Services	197
		<u>182,341</u>
Total for governmental funds		<u>\$ 211,384</u>
Agency:		
Agricultural Extension Education	Collections	\$ 134,578
County Assessor		401,798
Schools		8,410,899
Community Colleges		540,034
Corporations		3,306,787
Townships		205,590
City Special Assessments		171,649
Auto License and Use Tax		458,953
Empowerment Board	Collections	359,447
All other		121,391
Total for agency funds		<u>\$ 14,111,126</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	<u>General</u>		
	<u>Obligation</u>	<u>Compen-</u>	
	<u>Capital</u>	<u>sated</u>	
	<u>Loan Notes</u>	<u>Absences</u>	<u>Total</u>
Balance beginning of year	\$ 283,917	305,850	589,767
Increases	-	323,473	323,473
Decreases	25,184	276,157	301,341
Balance end of year	<u>\$ 258,733</u>	<u>353,166</u>	<u>611,899</u>
Due within one year	<u>\$ 26,521</u>	<u>284,664</u>	<u>311,185</u>

General Obligation Capital Loan Notes

General obligation capital loan notes totaling \$390,000 were issued on December 3, 2001 for the purpose of paying the costs of acquiring replacement equipment for use by the Butler County E911 Service Board. The notes are to be paid from the General Fund in quarterly payments of \$9,735, including interest of 5% per annum. The final payment is payable on May 1, 2016. The principal balance of the notes at June 30, 2008 totaled \$258,733.

(7) E911 Lease Receivable

The County entered into a lease agreement with the E911 Service Board. Under the agreement, the E911 Service Board is to make quarterly payments of \$9,735 to the County, an amount equal to the quarterly payment required on the capital loan notes, as detailed in Note 7 of the notes to financial statements. The quarterly principal and interest payments from the E911 Service Board are credited to the General Fund. The following is a schedule of the future minimum lease payments to be received by the County, including interest of 5% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2008.

Year ending June 30,	Total
2009	\$ 38,941
2010	38,941
2011	38,941
2012	38,941
2013	38,941
2014-2016	121,687
Total minimum lease payments	316,392
Less amount representing interest	(57,660)
Present value of net minimum lease payments	\$ 258,732

(8) Butler County Economic Development Revolving Loan Fund

Butler County has twenty economic development loans receivable totaling \$90,370 at June 30, 2008 due from businesses located in Butler County. The loans were made to the businesses to promote economic development.

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

(9) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$248,193, \$232,649 and \$217,803, respectively, equal to the required contributions for each year.

(10) Risk Management

Butler County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 563 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/ machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2008 were \$162,217.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the County's financial statements. As of

June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Self-Funded Insurance Plan

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

Payments to the Self Insurance account were recorded as expenditures by the operating funds. Payments to R.D. Drenkow & Co., Inc. for service fees and medical claims for the year ended June 30, 2008 were \$24,738.

(12) Deficit Fund Balance

The Mental Health Fund had a deficit balance of \$23,352 at June 30, 2008. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of funds.

(13) Subsequent Event

On October 28, 2008, Butler County entered into a loan guaranty agreement with the cooperative corporations identified in the guaranty agreement making loans to Parkersburg Economic Development Corporation. The cooperative corporations made loans to Parkersburg Economic Development Corporation in the aggregate amount not to exceed \$800,000 to be repayable over three years at 1% interest for constructing a new commercial building in Parkersburg which will allow local business displaced by a recent natural disaster to resume business operations and provide space for potential new businesses. Butler County entered into this guaranty agreement in order to induce the cooperative corporations to make the loans to Parkersburg Economic Development Corporation. Butler County agrees to guarantee repayment of the initial \$395,000 of the aggregate cooperative loan amount and the Parkersburg Economic Development Corporation agrees to grant Butler County a mortgage on the new commercial building to be constructed with the proceeds of the cooperative loans in order to secure Butler County's guaranty. All obligations of Butler County shall terminate on the occurrence of the earlier of the repayment of the entire principal of and interest on the cooperative loans or October 1, 2011.

(14) Litigation

The County is involved in a lawsuit as of June 30, 2008. The probability of loss, if any, is undeterminable.

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, 2008

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 4,681,247	4,652,166	4,652,166	29,081
Interest and penalty on property tax	32,746	10,000	10,000	22,746
Intergovernmental	5,792,531	5,520,386	5,733,386	59,145
Licenses and permits	14,719	9,800	9,800	4,919
Charges for service	464,441	439,585	439,585	24,856
Use of money and property	514,950	330,622	330,622	184,328
Miscellaneous	234,117	137,172	137,172	96,945
Total receipts	<u>11,734,751</u>	<u>11,099,731</u>	<u>11,312,731</u>	<u>422,020</u>
Disbursements:				
Public safety and legal services	1,565,899	1,617,230	1,632,230	66,331
Physical health and social services	1,338,534	1,410,492	1,420,492	81,958
Mental health	1,418,040	1,450,400	1,450,400	32,360
County environment and education	641,268	728,033	748,033	106,765
Roads and transportation	3,946,783	4,187,000	4,187,000	240,217
Governmental services to residents	388,337	424,379	427,379	39,042
Administration	1,242,394	1,256,857	1,259,857	17,463
Non-program	7,018	7,500	207,500	200,482
Debt service	38,941	38,943	38,943	2
Capital projects	995,655	1,634,000	1,634,000	638,345
Total disbursements	<u>11,582,869</u>	<u>12,754,834</u>	<u>13,005,834</u>	<u>1,422,965</u>
Excess (deficiency) of receipts over (under) disbursements	151,882	(1,655,103)	(1,693,103)	1,844,985
Other financing sources, net	29,235	-	-	29,235
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	181,117	(1,655,103)	(1,693,103)	1,874,220
Balance beginning of year	5,172,002	4,685,776	4,685,776	486,226
Balance end of year	<u>\$ 5,353,119</u>	<u>3,030,673</u>	<u>2,992,673</u>	<u>2,360,446</u>

See accompanying independent auditor's report.

Butler County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,734,751	424,048	12,158,799
Expenditures	11,582,869	100,367	11,683,236
Net	151,882	323,681	475,563
Other financing sources, net	29,235	127,327	156,562
Beginning fund balances	5,172,002	915,769	6,087,771
Ending fund balances	<u>\$ 5,353,119</u>	<u>1,366,777</u>	<u>6,719,896</u>

See accompanying independent auditor's report.

Butler County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$251,000. The budget amendments are reflected in the final budgeted amounts.

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

Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.

Other Supplementary Information

Butler County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

	Economic Development Revolving Loan	Sheriff's Commisary and Telephone	Seized and Forfeited Property	Sesquennial Memorial
Assets				
Cash and pooled investments	\$ 118,412	7,575	3,913	691
Receivables:				
Accounts	-	32	-	-
Economic development loans	90,370	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 208,782	7,607	3,913	691
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 15	-	-	-
Salaries and benefits payable	-	-	-	-
Deferred revenue	90,370	-	-	-
Total liabilities	90,385	-	-	-
Fund equity:				
Fund balances:				
Unrestricted	118,397	7,607	3,913	691
Total liabilities and fund equity	\$ 208,782	7,607	3,913	691

See accompanying independent auditor's report.

Special Revenue							
County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition	Conservation Trust	Resource Enhancement and Protection	Total	
20,755	274	1,003	146,259	111,851	81,810	492,543	
-	-	-	-	-	-	32	
-	-	-	-	-	-	90,370	
-	-	-	20,631	-	-	20,631	
20,755	274	1,003	166,890	111,851	81,810	603,576	
-	-	-	-	-	-	15	
-	-	-	-	-	413	413	
-	-	-	1,477	-	-	91,847	
-	-	-	1,477	-	413	92,275	
20,755	274	1,003	165,413	111,851	81,397	511,301	
20,755	274	1,003	166,890	111,851	81,810	603,576	

Butler County

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

Year ended June 30, 2008

	Economic Development Revolving Loan	Sheriff's Commisary and Telephone	Seized and Forfeited Property	Special Revenue Sesquential Memorial
Revenues:				
Intergovernmental	\$ -	-	-	-
Charges for service	-	-	-	-
Use of money and property	-	676	-	16
Miscellaneous	33,505	-	158	-
Total revenues	33,505	676	158	16
Expenditures:				
Operating:				
County environment and education	35,240	-	-	177
Administration	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	35,240	-	-	177
Excess (deficiency) of revenues over (under) expenditures	(1,735)	676	158	(161)
Other financing sources:				
Operating transfers in	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(1,735)	676	158	(161)
Fund balances beginning of year	120,132	6,931	3,755	852
Fund balances end of year	\$ 118,397	7,607	3,913	691

See accompanying independent auditor's report.

County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition	Conservation Trust	Resource Enhancement and Protection	Total
-	-	-	267,990	-	14,674	282,664
2,744	-	-	-	-	-	2,744
445	7	-	145,686	2,389	2,170	151,389
-	-	-	54,033	13,165	-	100,861
3,189	7	-	467,709	15,554	16,844	537,658
-	-	-	22,010	-	4,031	61,458
967	-	-	-	-	-	967
-	-	-	483,629	-	21,333	504,962
967	-	-	505,639	-	25,364	567,387
2,222	7	-	(37,930)	15,554	(8,520)	(29,729)
-	-	-	20,331	-	-	20,331
2,222	7	-	(17,599)	15,554	(8,520)	(9,398)
18,533	267	1,003	183,012	96,297	89,917	520,699
20,755	274	1,003	165,413	111,851	81,397	511,301

Butler County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	2,012	121,755	132,710
Other county officials	112,496	-	-	-
Receivables:				
Property tax:				
Delinquent	-	566	1,314	36,189
Succeeding year	-	132,000	290,000	8,242,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 112,496	134,578	413,069	8,410,899
Liabilities				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	4,859	-
Due to other governments	5,693	134,578	401,798	8,410,899
Trusts payable	106,803	-	-	-
Compensated absences	-	-	6,412	-
Total liabilities	\$ 112,496	134,578	413,069	8,410,899

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	City Special Assess- ments	Auto License and Use Tax	Empowerment Board	Other	Total
6,914	41,965	3,601	8,227	458,953	570,194	104,028	1,450,359
-	-	-	-	-	-	-	112,496
2,120	7,822	989	-	-	-	28	49,028
531,000	3,257,000	201,000	-	-	-	2,000	12,655,000
-	-	-	-	-	-	21,087	21,087
-	-	-	163,422	-	-	-	163,422
-	-	-	-	-	-	28,218	28,218
540,034	3,306,787	205,590	171,649	458,953	570,194	155,361	14,479,610
-	-	-	-	-	210,747	38,894	249,641
-	-	-	-	-	-	769	5,628
540,034	3,306,787	205,590	171,649	458,953	359,447	115,698	14,111,126
-	-	-	-	-	-	-	106,803
-	-	-	-	-	-	-	6,412
540,034	3,306,787	205,590	171,649	458,953	570,194	155,361	14,479,610

Butler County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 106,843	132,671	409,781	8,619,714
Additions:				
Property and other county tax	-	123,390	270,787	7,690,603
E911 surcharge	-	-	-	-
State tax credits	-	8,599	19,971	566,234
Office fees and collections	283,195	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	179,010	-	-	-
Miscellaneous	-	-	19,087	-
Total additions	462,205	131,989	309,845	8,256,837
Deductions:				
Agency remittances:				
To other funds	153,800	-	-	-
To other governments	141,874	130,082	306,557	8,465,652
Trusts paid out	160,878	-	-	-
Total deductions	456,552	130,082	306,557	8,465,652
Balances end of year	\$ 112,496	134,578	413,069	8,410,899

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Other	Total
456,782	3,476,324	223,451	239,472	294,662	523,812	135,877	14,619,389
501,839	3,032,210	186,822	-	-	-	1,805	11,807,456
-	-	-	-	-	-	110,775	110,775
29,387	216,806	13,858	905	-	-	128	855,888
-	-	-	-	-	-	-	283,195
-	-	-	-	3,738,671	-	-	3,738,671
-	-	-	40,175	-	-	-	40,175
-	-	-	-	-	-	-	179,010
-	-	-	-	-	891,312	61,443	971,842
531,226	3,249,016	200,680	41,080	3,738,671	891,312	174,151	17,987,012
-	-	-	-	107,430	-	-	261,230
447,974	3,418,553	218,541	108,903	3,466,950	844,930	154,667	17,704,683
-	-	-	-	-	-	-	160,878
447,974	3,418,553	218,541	108,903	3,574,380	844,930	154,667	18,126,791
540,034	3,306,787	205,590	171,649	458,953	570,194	155,361	14,479,610

Butler County

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

For the Last Eight Years

	Modified Accrual			
	2008	2007	2006	2005
Revenues:				
Property and other county tax	\$ 4,736,171	4,144,310	3,923,243	3,820,208
Interest and penalty on property tax	32,746	31,670	31,023	34,668
Intergovernmental	6,125,937	5,382,914	5,374,120	5,316,619
Licenses and permits	14,649	9,635	12,145	11,565
Charges for service	464,111	454,952	472,080	435,257
Use of money and property	446,133	401,199	320,098	257,798
Miscellaneous	339,052	233,974	224,330	293,094
Total	\$ 12,158,799	10,658,654	10,357,039	10,169,209
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,578,721	1,510,726	1,425,712	1,382,591
Physical health and social services	1,354,701	1,384,986	1,383,611	1,184,164
Mental health	1,411,156	1,446,563	1,285,834	1,165,030
County environment and education	664,791	616,714	624,155	561,758
Roads and transportation	4,028,374	3,970,296	3,975,554	3,747,559
Governmental services to residents	389,465	386,920	447,203	450,844
Administration	1,232,630	1,142,270	1,103,411	1,099,842
Non-program	7,017	7,018	-	60
Debt service	38,941	38,941	69,658	49,334
Capital projects	977,440	725,176	936,339	512,391
Total	\$ 11,683,236	11,229,610	11,251,477	10,153,573

See accompanying independent auditor's report.

Basis			
2004	2003	2002	2001
4,223,382	3,961,242	4,102,879	3,974,387
41,696	35,204	39,466	40,118
5,088,430	5,847,451	5,469,286	5,360,586
15,943	6,510	6,230	5,140
498,244	452,385	410,082	352,713
265,270	304,188	345,162	480,185
189,405	261,049	126,284	108,295
<u>10,322,370</u>	<u>10,868,029</u>	<u>10,499,389</u>	<u>10,321,424</u>
1,268,846	1,263,978	1,112,635	1,046,865
1,153,795	1,236,351	1,174,052	1,096,568
1,114,860	1,114,443	1,093,461	1,082,024
588,832	1,306,388	746,221	505,722
3,559,552	3,636,570	3,437,410	3,757,953
269,112	245,312	237,434	195,727
1,287,024	1,241,945	1,174,029	1,064,626
-	832	-	342
37,413	45,052	7,880	2,880
<u>1,440,397</u>	<u>754,202</u>	<u>1,041,571</u>	<u>639,672</u>
<u>10,719,831</u>	<u>10,845,073</u>	<u>10,024,693</u>	<u>9,392,379</u>

Schedule 6

Butler County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

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		\$ 10,725
U.S. Department of Justice:			
Iowa Department of Public Health:			
Tobacco Surveillance Grant	16.000		3,900
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	IA-08-01	72,561
Highway Planning and Construction	20.205	05-STPE-144	247,413
			<u>319,974</u>
Governor's Traffic Safety Bureau:			
Safety Incentive Grants for Use of Seatbelts	20.604	PAP08-157, Task 24	3,500
Iowa Department of Human Services:			
Hancock County Nursing Services:			
Public Health Emergency Preparedness	93.069	BT08003	31,766
North Iowa Community Action Organization:			
Advancing System Improvements to Support Targets for			
Health People 2010	93.088		7,367
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		11,642
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596		2,818
Foster Care - Title IV-E	93.658		6,772
Adoption Assistance	93.659		1,613
State Children's Insurance Program	93.767		97
Medical Assistance Program	93.778		14,804
Social Services Block Grant	93.667		7,637
Social Services Block Grant	93.667		56,209
			<u>63,846</u>
Centers for Disease Control and Prevention - Investigations and			
Technical Assistance	93.283	5586NB03	7,469

Butler County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Worth County Public Health Nursing Department:			
Immunization Grants	93.268	5886I410	965
Immunization Grants	93.268	5886I411	<u>4,629</u>
			<u>5,594</u>
National Bioterrorism Hospital Preparedness Program	93.889	5887EM111	<u>4,242</u>
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management:			
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1763 DR IA	<u>384,473</u>
Emergency Management Performance Grants	97.042		<u>5,264</u>
Total			<u>\$ 885,866</u>

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

See accompanying independent auditor's report.

Butler County



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

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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, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 18, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-08 and II-C-08 are material weaknesses.

Compliance and Other Matters

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

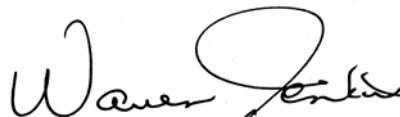
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Butler County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Butler County's responses and, accordingly, we express no opinion on them.

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

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 18, 2009

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

Butler County



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

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

To the Officials of Butler County:

Compliance

We have audited the compliance of Butler County with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2008. Butler County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs are the responsibility of Butler County's management. Our responsibility is to express an opinion on Butler County's compliance based on our audit.

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

In our opinion, Butler County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

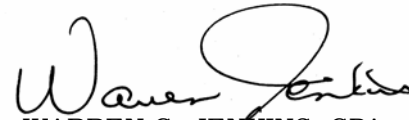
A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal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

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

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

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 18, 2009

Butler County
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

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

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

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

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

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

Response –

County Treasurer – All staff must collect and make cash entries. Bank accounts are reconciled promptly by two staff members upon receipt of statements. Cash is counted by two staff members and deposited daily. Cash is recorded in the motor vehicle and tax statements immediately.

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

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

County Engineer – We will continue to cross-train office personnel on various office duties.

County Extension – A limited number of employees makes segregation of duties difficult and not practical. To provide internal control on the observed areas with no compensating controls, the office has a part-time office assistance that records all incoming checks on a daily log and cross references the log with deposit receipt. All checks and cash are receipted.

Conclusion –

County Treasurer – Response acknowledged. Rotated duties should be segregated to obtain the maximum internal control possible under the circumstances.

County Recorder – Response accepted.

County Engineer – Response accepted.

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

II-B-08 Personnel Files – The County Sheriff does not maintain personnel files for all employees (Deputies, Civil Deputy, Dispatcher(s) and Jailer(s)) which include performance evaluations, current pay rate, original employment application, any certifications which have been achieved, screenings and checks which have been done (drug screens, background checks, etc.) and current tax withholding information.

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

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

Conclusion – Response acknowledged. However, the personnel files should also include evaluations.

II-C-08 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County's financial statements relating to the flooding and tornado damages. 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 receivables and payables are identified and included in the County's financial statements.

Response – We will develop better communications between departments to ensure more accurate financial statements.

Conclusion – Response accepted.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

- II-D-08 County Sheriff – Bank reconciliations, including outstanding check listings, were properly prepared during the year ended June 30, 2008. However, variances between book and bank balances existed which were not investigated and resolved. A list of trusts on hand was not prepared and reconciled to the balances monthly.

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

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

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

Response – We will try to do this in the future.

Conclusion – Response accepted.

- II-E-08 County Sheriff – Separate bank accounts were maintained for the receipts and disbursements for the DARE program. These receipts and disbursements were not recorded in the County's accounting system and have not been recorded in the County's annual budget or financial report.

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

Response – The DARE account receives donations to the program and is kept in a checking account which is maintained by our Civil Deputy. Any claims which are made against the account are given to me by the DARE officer, I sign them and the Civil Deputy pays them. Three people are involved in every claim and the account is and always has been made available upon request if anyone would like to look at it.

Conclusion – Response acknowledged. However, the DARE account should be recorded in the County's accounting system, annual budget and financial report.

- II-F-08 County Recorder – Bank reconciliations, including outstanding check listings, were properly prepared during the year ended June 30, 2008. However, variances between book and bank balances existed which were not investigated and resolved.

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

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

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Butler County
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

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

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.

IV-B-08 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-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-08 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tamara Fleshner, Public Health	CPR Training	\$ 675
Habbo Fokkena, Husband of County Auditor	Rent paid on behalf of general relief recipient	375
Thomas Wheeler, Step-son of Sheriff’s Deputy Curt Lubben	Tobacco Buys	760

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

IV-E-08 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-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-08 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-08 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-08 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, 2008 for the County Extension Office did not exceed the amount budgeted.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

IV-J-08 Deficit Fund Balance – The Mental Health Fund had an accrual basis deficit fund balance of \$23,352 at June 30, 2008.

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

Response – The accrual deficit in the Mental Health Fund was an anticipated outcome given the current funding formula used by DHS. The funding formula will only allocate additional dollars when funds are fully depleted. Three fourths of the budget is mandated expenditures under the entitlement of Medicaid recipients. The following are steps that were taken to get back in the black:

- 1) Implemented a waiting list.
- 2) Applied to the Risk Pool and received a proportional allocation from the Risk Pool.
- 3) Implemented service review to tighten unnecessary expenditures (actually reduced expenditures year over year.
- 4) Limited MR/Waiver slots.
- 5) Proposed a 28E Regional Pilot Project to level funding and services across county lines. Project is still in the development stage but may be in place by fiscal year end 2009.

Conclusion – Response accepted.

IV-K-08 Emergency Management Commission Budget – The disbursements in the Emergency Management Commission Fund exceeded the amount budgeted.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements exceeded the amount budgeted.

Response – The budget was exceeded due to disbursements related to a tornado in May 2008.

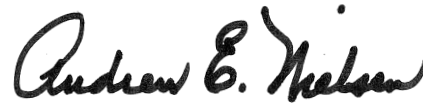
Conclusion – Response accepted.

Butler County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Billie Jo Heth, Senior Auditor II
Shawn R. Elsbury, Senior Auditor
Aaron P. Wagner, CPA, Staff Auditor
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