



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

June 23, 2022

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$19,039,202 for the year ended June 30, 2021, a 3.52% decrease from the prior year. Expenses for County operations for the year ended June 30, 2021 totaled \$17,225,780, a 1.84% increase over the prior year. The decrease in revenues is due to contributed capital from the Iowa Department of Transportation for infrastructure projects during the previous year. The increase in expenses is due primarily to an increase in public safety and physical health and social services as a result of the COVID-19 pandemic.

AUDIT FINDINGS:

Sand reported six findings related to the receipt and expenditure of taxpayer funds. They are found on pages 78 through 83 of this report. The findings address issues such as lack of segregation of duties in the County Sheriff's Office, material amounts of infrastructure additions not properly recorded in the County's financial statements and untimely remittance of receipts to the County Treasurer by certain departments. Sand provided the County with recommendations to address each of these findings.

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

A copy of the audit report is available for review on the Auditor of State's web site at [Audit Reports - Auditor of State](#).

###

BUTLER COUNTY

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

JUNE 30, 2021

Butler County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

May 31, 2022

Officials of Butler County
Allison, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Butler County for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Officials		4
Independent Auditor's Report		5-7
Management's Discussion and Analysis		8-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Position	G	25
Statement of Revenues, Expenses and Changes in Fund Net Position	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Net Position – Custodial Funds	J	28
Statement of Changes in Fiduciary Net Position - Custodial Funds	K	29
Notes to Financial Statements		30-52
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		54
Budget to GAAP Reconciliation		55
Notes to Required Supplementary Information – Budgetary Reporting		57
Schedule of the County's Proportionate Share of the Net Pension Liability		58-59
Schedule of County Contributions		60-61
Notes to Required Supplementary Information – Pension Liability		62
Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes		63
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	66-67
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	68-69
Custodial Funds:		
Combining Schedule of Fiduciary Net Position	3	70-71
Combining Schedule of Changes in Fiduciary Net Position	4	72-73
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	74-75

Table of Contents
(Continued)

	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	76-77
Schedule of Findings	78-83
Staff	84

Butler County

Officials

(Before January 2021)

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

(After January 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert (Rusty) Eddy	Board of Supervisors	Jan 2023
Tom Heidenwirth	Board of Supervisors	Jan 2023
Greg Barnett	Board of Supervisors	Jan 2025
Leslie Groen	County Auditor	Jan 2025
Vicki Schoneman	County Treasurer	(Retired Mar 2021)
Roxanne (Roxie) Nicolaus (Appointed)	County Treasurer	Nov 2022
Janice Jacobs	County Recorder	Jan 2023
Jason Johnson	County Sheriff	Jan 2025
Gregory M. Lievens	County Attorney	Jan 2023
Michele Shultz	County Assessor	Jan 2022



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report

To the Officials of Butler County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Butler County as of June 30, 2021, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, Butler County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 54 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

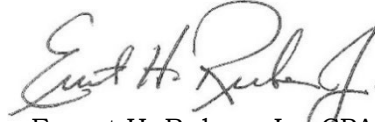
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Butler County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2022 on our consideration of Butler County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Butler County's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

May 31, 2022

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, 2021. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2021 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 84, Fiduciary Activities. The beginning net position for fiduciary (custodial) funds was restated by \$1,119,121 to retroactively report in accordance with the GASBS.
- Governmental activities revenues decreased \$695,442, or 3.5%, from fiscal year 2020 to fiscal year 2021. Capital grants, contributions and restricted interest decreased \$3,447,343, or 77.7%, while operating grants, contributions and restricted interest increased \$1,545,190, or 29.6%.
- Governmental activities expenses increased \$311,365, or 1.8%, from fiscal year 2020 to fiscal year 2021. County environment and education expenses increased \$355,566 while mental health expenses decreased \$149,066.
- The County's net position increased 4.5%, or \$1,813,422, over the June 30, 2020 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

- 2) A proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or custodial capacity for others which cannot be used to support the County’s own programs. These fiduciary funds include Custodial Funds that account for 911, emergency management services, empowerment and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the net position of governmental activities.

Net Position of Governmental Activities		
	June 30,	
	2021	2020
Current and other assets	\$ 21,242,147	19,937,815
Capital assets	41,834,820	40,243,919
Total assets	63,076,967	60,181,734
Deferred outflows	1,268,817	1,218,139
Long-term liabilities	11,366,779	11,335,387
Other liabilities	2,721,000	1,114,908
Total liabilities	14,087,779	12,450,295
Deferred inflows of resources	8,320,453	8,824,720
Net position:		
Net investment in capital assets	37,719,535	37,086,042
Restricted	6,619,203	5,079,343
Unrestricted	(2,401,186)	(2,041,255)
Total net position	\$ 41,937,552	40,124,130

Net position of Butler County’s governmental activities increased 4.5% (approximately \$41.9 million compared to approximately \$40.1 million.)

The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased approximately \$633,000, or 1.7% over the prior year, primarily due, in part, to infrastructure placed into service by Conservation.

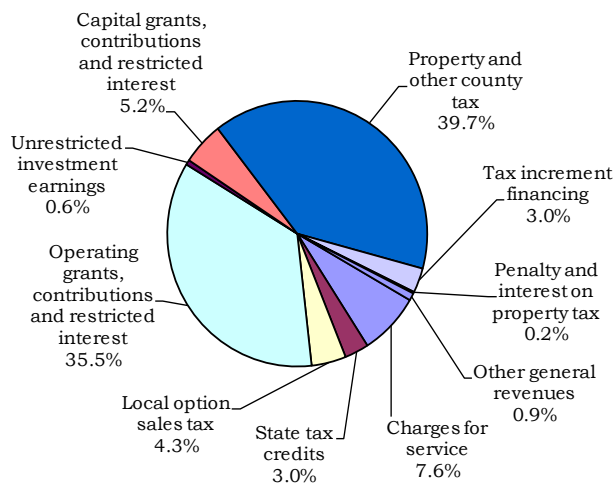
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$1,540,000, or 30.3% over the prior year. The increase is primarily due to an increase in the supplemental levy ending fund balance and the secondary roads ending balance.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from a deficit of \$2,041,255 at June 30, 2020 to a deficit of \$2,401,186 at the end of this year, a decrease of 17.6%. The deficit net position is primarily due to debt issued by the County for assets that are not capitalized by the County, as well as the net pension and total OPEB liabilities. The current year decrease in this net position category is due, in part, to a decrease in the amount available in the Capital Projects Fund at year end.

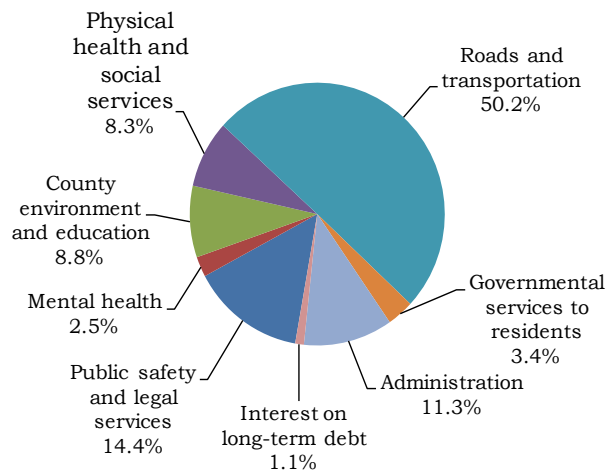
Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2021	2020
Revenues:		
Program revenues:		
Charges for service	\$ 1,450,905	1,353,200
Operating grants, contributions and restricted interest	6,768,027	5,222,837
Capital grants, contributions and restricted interest	990,717	4,438,060
General revenues:		
Property and other county tax	7,536,614	6,838,229
Tax increment financing	577,271	445,447
Penalty and interest on property tax	38,384	25,746
State tax credits	569,067	521,582
Local option sales tax	824,142	550,674
Unrestricted investment earnings	119,960	162,215
Other general revenues	164,115	176,654
Total revenues	19,039,202	19,734,644
Program expenses:		
Public safety and legal services	2,479,379	2,424,877
Physical health and social services	1,427,552	1,332,890
Mental health	436,170	585,236
County environment and education	1,519,234	1,163,668
Roads and transportation	8,642,340	8,573,901
Governmental services to residents	581,854	589,653
Administration	1,944,733	2,048,470
Nonprogram	3,977	-
Interest on long-term debt	190,541	195,720
Total expenses	17,225,780	16,914,415
Change in net position	1,813,422	2,820,229
Net position beginning of year	40,124,130	37,303,901
Net position end of year	\$ 41,937,552	40,124,130

Revenues by Source



Expenses by Program



Revenues for governmental activities decreased \$695,442 from the prior year. Capital grants, contributions and restricted interest decreased \$3,447,343 due to a decrease of approximately \$4,053,000 in farm to market roadway projects contributed by the Iowa Department of Transportation.

Total expenses increased \$311,365, or 1.8%, over the prior year. This was primarily related to the land improvement projects in the County environment and education function in fiscal year 2021.

INDIVIDUAL MAJOR FUND ANALYSIS

As Butler County completed the year, its governmental funds reported a combined fund balance of approximately \$10.1 million, a decrease of approximately \$340,000 from last year's total of approximately \$10.5 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund ended fiscal year 2021 with a fund balance of \$2,790,150, a \$123,177 increase over the ending balance for fiscal year 2020. Revenues increased \$775,083, or 12.6%, and expenditures increased \$135,337, or 2.1%. The increase in revenues was due primarily to an increase in property tax and an increase in intergovernmental revenues of approximately \$414,000 and \$267,000, respectively. The increase in intergovernmental revenues is due primarily to the receipt of Coronavirus Aid, Relief and Economic Security (CARES) Act funds. Property tax increased due to an increase in the general supplemental levy rate. The increase in expenditures is primarily due to an increase in public safety and legal services and physical health and social services functions of approximately \$63,000 and \$78,000, respectively.
- The Special Revenue, Mental Health Fund ended fiscal year 2021 with a fund balance of \$89,064 compared to fiscal year 2020 which ended with a balance of \$80,409. Revenues decreased \$176,319, or 28.4%. Intergovernmental revenues decreased approximately \$87,000, and expenditures decreased \$150,903 or 25.7%. Beginning January 1, 2021, mental health employees moved from being employees of Butler County to being employees of the County Social Services (CSS) Region. As a result, payroll expenses decreased and the reimbursement to Butler County for services provided by the mental health employees decreased.
- The Special Revenue, Rural Services Fund ended fiscal year 2021 with a fund balance of \$1,940,733, an increase of \$394,676 over the ending balance for fiscal year 2020. Revenues increased \$223,611, or 7.4%, over the prior year due, in part, to an increase in local option sales tax revenue. Expenditures increased \$52,789, or 5.6%, over the prior year.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2021 with a fund balance of \$3,378,840. This is an increase of \$742,536 over the ending balance for fiscal year 2020. Revenues increased \$77,525, or 1.4%, due primarily to an increase in local option sales tax revenues of approximately \$137,000. Expenditures increased \$1,822,420, or 23.5%, due in part to construction projects during the fiscal year.
- The Capital Projects Fund ended fiscal year 2021 with a fund balance of \$1,277,668, a decrease of \$1,664,953, from the ending balance for fiscal year 2020. During fiscal year 2021 the County transferred \$2,837,157 to Secondary Roads for construction projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, Butler County amended its budget two times. The first amendment was made on January 26, 2021 and resulted in increased miscellaneous receipts and increased disbursements in the county environment and education, roads and transportation, and capital projects functions for urban renewal projects and conservation land acquisition. The second amendment was made on May 25, 2021 to increase disbursements in the physical health and social services and county environment and education functions primarily due to increased expenditures for public health medical supplies and overtime costs.

The County's receipts were \$4,333,551 more than the amended budget, a variance of 26.7%. The most significant variance resulted from the County collecting more intergovernmental receipts than anticipated, including approximately \$1,883,393 in CARES Act and American Rescue Plan Act (ARPA) funds.

Total disbursements were \$3,559,343 less than the amended budget, a variance of 15.4%. The largest variance resulted from capital project function disbursements being \$2,155,179 less than budgeted. This was primarily due to a delay in road construction projects.

The County did not exceed the budgeted amounts in any disbursement function for the year ended June 30, 2021.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, Butler County had approximately \$41.8 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 \$1.6 million over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2021	2020
Land	\$ 1,631,012	1,274,235
Construction in progress	1,788,399	3,068,140
Buildings	1,367,278	1,404,741
Improvements other than buildings	45,205	48,238
Equipment and vehicles	2,929,976	2,620,654
Infrastructure	34,072,950	31,827,183
Total	<u>\$ 41,834,820</u>	<u>40,243,191</u>
This year's major additions included:		
Infrastructure contributed by the Iowa Department of Transportation	\$	11,244
Road network construction		2,769,970
Purchase of equipment for the Secondary Roads Department		732,937
Purchase of land for the Conservation Department		356,777
Infrastructure projects for the Conservation Department		449,514
Sheriff, Conservation and IT vehicles and equipment		154,859
Total		<u>\$ 4,475,301</u>

The County had depreciation expense of \$2,719,852 in fiscal year 2021 and total accumulated depreciation of approximately \$30.8 million at June 30, 2021. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2021, Butler County had \$6.583 million of outstanding general obligation bonds and loans, compared to \$7.412 million at June 30, 2020.

Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2021	2020
General obligation urban renewal bonds	\$ 6,555	7,375
Conservation equipment loan	28	37
	<u>\$ 6,583</u>	<u>7,412</u>

The County continues to carry a general obligation bond rating of Aa3 (Moody's) assigned by national ratings agencies to the County's debt since 1998. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Butler County's outstanding general obligation debt and tax increment financing obligations are significantly below its constitutional debt limit of approximately \$73 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Butler County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2022 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County at June 30, 2021 was 3.8 %, a decrease from the June 30, 2020 rate of 6.3%. This is less than both the State's unemployment rate of 4.7% and the national rate of 5.9%.

Fiscal year 2022 budgeted receipts decreased approximately \$4,972,000 while budgeted disbursements decreased approximately \$488,000 compared to fiscal year 2021 actuals. If the budget estimates are realized, the County's fund balances are expected to decrease approximately \$3.5 million by the close of fiscal year 2022.

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, Allison, Iowa 50602.

Basic Financial Statements

Butler County
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 11,175,824
Receivables:	
Property tax:	
Delinquent	6,070
Succeeding year	7,451,000
Succeeding year tax increment financing	624,000
Interest and penalty on property tax	23,462
Accounts	89,780
Due from other governments	750,592
Inventories	1,121,419
Capital assets, net of accumulated depreciation	41,834,820
Total assets	63,076,967
Deferred Outflows of Resources	
Pension related deferred outflows	1,166,297
OPEB related deferred outflows	102,520
Total deferred outflows of resources	1,268,817
Liabilities	
Accounts payable	1,002,422
Salaries and benefits payable	232,747
Accrued interest payable	14,109
Due to other governments	69,419
Unearned revenues	1,402,303
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	850,000
Loans payable	9,317
Compensated absences	336,800
Total OPEB liability	9,454
Portion due or payable after one year:	
General obligation bonds	5,705,000
Loans payable	18,636
Compensated absences	94,828
Net pension liability	3,934,149
Total OPEB liability	408,595
Total liabilities	14,087,779
Deferred Inflows of Resources	
Unavailable revenues:	
Succeeding year property tax	7,451,000
Succeeding year tax increment financing	624,000
Pension related deferred inflows	225,081
OPEB related deferred inflows	20,372
Total deferred inflows of resources	8,320,453
Net Position	
Net investment in capital assets	37,719,535
Restricted for:	
Supplemental levy purposes	447,156
Mental health purposes	89,548
Rural services purposes	1,980,200
Secondary roads purposes	3,163,246
Conservation purposes	408,539
Debt service	392,391
Other purposes	138,123
Unrestricted	(2,401,186)
Total net position	\$ 41,937,552

See notes to financial statements.

Butler County
Statement of Activities
Year ended June 30, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,479,379	341,560	17,045	-	(2,120,774)
Physical health and social services	1,427,552	504,634	384,438	-	(538,480)
Mental health	436,170	-	924	-	(435,246)
County environment and education	1,519,234	93,497	915,094	497,089	(13,554)
Roads and transportation	8,642,340	62,039	5,004,527	493,628	(3,082,146)
Governmental services to residents	581,854	372,826	2,115	-	(206,913)
Administration	1,944,733	70,945	443,884	-	(1,429,904)
Nonprogram	3,977	5,404	-	-	1,427
Interest on long-term debt	190,541	-	-	-	(190,541)
Total	\$ 17,225,780	1,450,905	6,768,027	990,717	(8,016,131)
General Revenues:					
Property and other county tax levied for:					
General purposes					6,950,908
Debt service					585,706
Tax increment financing					577,271
Penalty and interest on property tax					38,384
State tax credits					569,067
Local option sales tax					824,142
Unrestricted investment earnings					119,960
Rent					129,189
Miscellaneous					34,926
Total general revenues					9,829,553
Change in net position					1,813,422
Net position beginning of year					40,124,130
Net position end of year					\$ 41,937,552

See notes to financial statements.

Butler County
Balance Sheet
Governmental Funds

June 30, 2021

	Special		
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 4,251,744	89,064	1,937,038
Receivables:			
Property tax:			
Delinquent	4,932	484	-
Succeeding year	4,222,000	284,000	2,365,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	23,462	-	-
Accounts	87,692	-	-
Due from other governments	115,854	-	91,019
Inventories	-	-	-
Total assets	\$ 8,705,684	373,548	4,393,057
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 49,138	-	9,163
Salaries and benefits payable	133,982	-	14,165
Due to other governments	68,689	-	271
Unearned Revenues	1,402,303	-	-
Total liabilities	1,654,112	-	23,599
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	4,222,000	284,000	2,365,000
Succeeding year tax increment financing	-	-	-
Other	39,422	484	63,725
Total deferred inflows of resources	4,261,422	284,484	2,428,725
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Supplemental levy purposes	478,741	-	-
Mental health purposes	-	89,064	-
Rural services purposes	-	-	1,940,733
Secondary roads purposes	-	-	-
Resource enhancement and protection	-	-	-
Conservation purposes	185,975	-	-
Jail and courthouse security	92,657	-	-
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	16,590	-	-
Unassigned	2,016,187	-	-
Total fund balances	2,790,150	89,064	1,940,733
Total liabilities, deferred inflows of resources and fund balances	\$ 8,705,684	373,548	4,393,057

See notes to financial statements.

<u>Revenue</u>			
<u>Secondary Roads</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
2,647,364	1,277,668	736,315	10,939,193
-	-	654	6,070
-	-	580,000	7,451,000
-	-	624,000	624,000
-	-	-	23,462
1,045	-	1,037	89,774
543,685	-	34	750,592
1,121,419	-	-	1,121,419
<u>4,313,513</u>	<u>1,277,668</u>	<u>1,942,040</u>	<u>21,005,510</u>
850,324	-	79,542	988,167
84,042	-	558	232,747
307	-	-	69,267
-	-	-	1,402,303
<u>934,673</u>	<u>-</u>	<u>80,100</u>	<u>2,692,484</u>
-	-	580,000	7,451,000
-	-	624,000	624,000
-	-	654	104,285
-	-	1,204,654	8,179,285
1,121,419	-	-	1,121,419
-	-	-	478,741
-	-	-	89,064
-	-	-	1,940,733
2,257,421	-	-	2,257,421
-	-	22,938	22,938
-	-	199,626	385,601
-	-	-	92,657
-	1,277,668	-	1,277,668
-	-	405,846	405,846
-	-	28,876	45,466
-	-	-	2,016,187
<u>3,378,840</u>	<u>1,277,668</u>	<u>657,286</u>	<u>10,133,741</u>
<u>4,313,513</u>	<u>1,277,668</u>	<u>1,942,040</u>	<u>21,005,510</u>

Butler County

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

June 30, 2021

Total governmental fund balances (page 19)		\$ 10,133,741
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
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 \$72,662,781 and the accumulated depreciation is \$30,827,961.		41,834,820
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		104,285
The Internal Service Fund is used by management to charge the costs of partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position.		222,230
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,268,817	
Deferred inflows of resources	<u>(245,453)</u>	1,023,364
Long-term liabilities, including loans, general obligation bonds payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(11,380,888)</u>
Net position of governmental activities (page 16)		<u>\$ 41,937,552</u>

See notes to financial statements.

Butler County

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

Year ended June 30, 2021

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 4,193,040	411,949	2,388,355
Tax increment financing	-	-	-
Local option sales tax	-	-	412,071
Interest and penalty on property tax	51,814	-	-
Intergovernmental	1,577,468	31,952	417,035
Licenses and permits	23,350	-	22,371
Charges for service	591,787	-	1,950
Use of money and property	237,024	924	-
Miscellaneous	253,660	-	1,800
Total revenues	6,928,143	444,825	3,243,582
Expenditures:			
Operating:			
Public safety and legal services	1,860,149	-	573,643
Physical health and social services	1,381,703	-	-
Mental health	-	436,170	-
County environment and education	639,676	-	342,566
Roads and transportation	-	-	75,000
Governmental services to residents	547,462	-	7,697
Administration	1,904,826	-	-
Non-program	1,504	-	-
Debt service	8,260	-	-
Capital projects	257,186	-	-
Total expenditures	6,600,766	436,170	998,906
Excess (deficiency) of revenues over (under) expenditures	327,377	8,655	2,244,676
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(204,200)	-	(1,850,000)
Total other financing sources (uses)	(204,200)	-	(1,850,000)
Change in fund balances	123,177	8,655	394,676
Fund balances beginning of year	2,666,973	80,409	1,546,057
Fund balances end of year	\$ 2,790,150	89,064	1,940,733

See notes to financial statements.

Revenue			
Secondary Roads	Capital Projects	Nonmajor	Total
-	-	587,131	7,580,475
-	-	577,271	577,271
412,071	-	-	824,142
-	-	-	51,814
4,819,648	482,384	390,604	7,719,091
14,555	-	-	60,276
6,094	-	4,012	603,843
-	10,289	6,122	254,359
226,269	679,881	278,667	1,440,277
5,478,637	1,172,554	1,843,807	19,111,548
-	-	6,320	2,440,112
-	-	-	1,381,703
-	-	-	436,170
-	-	809,746	1,791,988
6,459,282	-	-	6,534,282
-	-	1,287	556,446
-	-	-	1,904,826
-	-	-	1,504
-	-	1,012,987	1,021,247
3,113,976	350	15,000	3,386,512
9,573,258	350	1,845,340	19,454,790
(4,094,621)	1,172,204	(1,533)	(343,242)
4,837,157	-	444,756	5,281,913
-	(2,837,157)	(390,556)	(5,281,913)
4,837,157	(2,837,157)	54,200	-
742,536	(1,664,953)	52,667	(343,242)
2,636,304	2,942,621	604,619	10,476,983
3,378,840	1,277,668	657,286	10,133,741

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, 2021

Change in fund balances - Total governmental funds (page 23) \$ (343,242)

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

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

Expenditures for capital assets	\$ 4,300,237	
Capital assets contributed by the Iowa Department of Transportation	11,244	
Depreciation expense	<u>(2,719,852)</u>	1,591,629

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

Property tax	(43,861)	
Other	<u>(41,037)</u>	(84,898)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 829,317

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 519,637

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	(29,367)	
OPEB expense	(47,508)	
Pension expense	(711,526)	
Interest on long-term debt	<u>1,739</u>	<u>(786,662)</u>

The Internal Service Fund is used by management to charge the costs of partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 87,641

Change in net position of governmental activities (page 17) \$ 1,813,422

See notes to financial statements.

Butler County
Statement of Net Position
Proprietary Fund

June 30, 2021

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 236,631
Accounts receivable	<u>6</u>
Total assets	<u>236,637</u>
Liabilities	
Accounts payable	14,255
Due to other governments	<u>152</u>
Total liabilities	<u>14,407</u>
Net Position	
Unrestricted	<u>\$ 222,230</u>

See notes to financial statements.

Butler County

Statement of Revenues, Expenses
and Changes in Fund Net Position
Propriety Fund

Year ended June 30, 2021

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 137,330
Reimbursements from others		<u>6</u>
Total operating revenues		137,336
Operating expenses:		
Medical and health services	\$ 44,119	
Administrative and other fees	<u>5,576</u>	<u>49,695</u>
Operating income		87,641
Net position beginning of year		<u>134,589</u>
Net position end of year		<u>\$ 222,230</u>

See notes to financial statements.

Butler County
Statement of Cash Flows
Propriety Fund
Year ended June 30, 2021

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 137,330
Cash paid to suppliers for services	(35,288)
Net cash provided by operating activities	102,042
Cash and cash equivalents beginning of year	134,589
Cash and cash equivalents end of year	\$ 236,631
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 87,641
Adjustment to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(6)
Accounts payable	14,255
Due to other governments	152
Net cash provided by operating activities	\$ 102,042

See notes to financial statements.

Butler County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2021

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,954,956
Other County officials	128,633
Receivables:	
Property tax:	
Delinquent	25,919
Succeeding year	18,305,000
Accounts	6,081
Special assessments	78,629
Due from other governments	61,775
Prepaid expenses	<u>1,650</u>
Total assets	<u>20,562,643</u>

Liabilities

Accounts payable	92,199
Salaries and benefits payable	14,897
Due to other governments	835,246
Trusts payable	100,728
Notes payable	142,266
Compensated absences	<u>13,629</u>
Total liabilities	<u>1,198,965</u>

Deferred Inflows of Resources

Unavailable property tax revenue	<u>18,305,000</u>
----------------------------------	-------------------

Net position

Restricted for individuals, organizations and other governments	<u>\$ 1,058,678</u>
---	---------------------

See notes to financial statements.

Butler County
Statement of Changes in Fiduciary Net Position
Custodial Funds

June 30, 2021

Additions:	
Property and other county tax	\$ 17,917,076
911 surcharge	230,936
State tax credits	1,617,917
Office fees and collections	504,369
Auto licenses, use tax and postage	6,265,204
Assessments	74,375
Trusts	274,802
Miscellaneous	<u>654,656</u>
Total additions	<u>27,539,335</u>
Deductions:	
Agency remittances:	
To other funds	365,074
To other governments	26,873,264
Trusts paid out	<u>361,440</u>
Total deductions	<u>27,599,778</u>
Change in net position	(60,443)
Net position beginning of year, as restated	<u>1,119,121</u>
Net position end of year	<u>\$ 1,058,678</u>

See notes to financial statements.

Butler County

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Butler County Assessor's Conference Board, Butler County Emergency Management Commission and Butler County Joint 911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Custodial Funds of the County.

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

B. Basis of Presentation

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

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the Internal Service Fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust and non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2020.

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in no more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. 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.

<u>Asset Class</u>	<u>Amount</u>
Intangibles - Other	\$ 100,000
Intangibles - Right-of-way	50,000
Infrastructure	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment and infrastructure are depreciated/amortized using the straight line method over the following estimated useful lives:

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan assets and contributions from the County after the measurement date but before the end of the County’s reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund 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, 2021. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Butler County’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables which will not be recognized until the year for which they are levied and unrecognized items not yet charged to pension and OPEB expense.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2021, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$256,582. There were no limitations or restrictions on withdrawals for the IPAIT investments. The investment in the IPAIT is unrated.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 150,000
	Special Revenue:	
	Rural Services	1,850,000
	Capital Projects	2,837,157
		<u>4,687,157</u>
Conservation Trust	General	54,200
Debt Service	Special Revenue:	
	Logistics Tax Increment Financing	390,556
		<u>390,556</u>
Total		<u>\$ 5,281,913</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, 2021 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,274,235	356,777	-	1,631,012
Construction in progress, other	1,656,306	449,514	1,716,887	388,933
Construction in progress, road network	1,411,834	2,781,214	2,793,582	1,399,466
Total capital assets not being depreciated	<u>4,342,375</u>	<u>3,587,505</u>	<u>4,510,469</u>	<u>3,419,411</u>
Capital assets being depreciated:				
Buildings	3,528,021	-	-	3,528,021
Improvements other than buildings	75,820	-	-	75,820
Equipment and vehicles	12,553,743	887,796	77,240	13,364,299
Infrastructure, road network	46,146,163	2,793,582	-	48,939,745
Infrastructure, other	1,768,507	1,566,978	-	3,335,485
Total capital assets being depreciated	<u>64,072,254</u>	<u>5,248,356</u>	<u>77,240</u>	<u>69,243,370</u>
Less accumulated depreciation for:				
Buildings	2,123,280	37,463	-	2,160,743
Improvements other than buildings	27,582	3,033	-	30,615
Equipment and vehicles	9,933,089	564,563	63,329	10,434,323
Infrastructure, road network	15,625,622	2,000,996	-	17,626,618
Infrastructure, other	461,865	113,797	-	575,662
Total accumulated depreciation	<u>28,171,438</u>	<u>2,719,852</u>	<u>63,329</u>	<u>30,827,961</u>
Total capital assets being depreciated, net	<u>35,900,816</u>	<u>2,528,504</u>	<u>13,911</u>	<u>38,415,409</u>
Governmental activities capital assets, net	<u>\$ 40,243,191</u>	<u>6,116,009</u>	<u>4,524,380</u>	<u>41,834,820</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 53,347
Physical health and social services		2,787
County environment and education		157,868
Roads and transportation		2,441,115
Governmental services to residents		16,635
Administration		<u>48,100</u>
Total depreciation expense - governmental activities		<u>\$ 2,719,852</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2021 is as follows:

Fund	Description	Amount
General	Services	<u>\$ 68,689</u>
Special Revenue:		
Rural Services	Services	271
Secondary Roads	Services	<u>307</u>
		<u>578</u>
Total for governmental funds		<u>\$ 69,267</u>
Custodial:		
County Agricultural Extension	Collections	\$ 2,695
Schools		138,671
Community Colleges		11,694
Corporations		43,647
Townships		3,744
City Special Assessments		3,868
Auto License and Use Tax		570,924
Empowerment Board		28,324
All other		<u>31,679</u>
Total for custodial funds		<u>\$ 835,246</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2021 is as follows:

	General Obligation Urban Renewal Bonds	Direct Borrowing - Conservation Equipment Loan	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 7,375,000	37,270	402,261	3,129,219	391,637	11,335,387
Increases	-	-	373,474	804,930	46,934	1,225,338
Decreases	<u>820,000</u>	<u>9,317</u>	<u>344,107</u>	-	<u>20,522</u>	<u>1,193,946</u>
Balance end of year	<u>\$ 6,555,000</u>	<u>27,953</u>	<u>431,628</u>	<u>3,934,149</u>	<u>418,049</u>	<u>11,366,779</u>
Due within one year	<u>\$ 850,000</u>	<u>9,317</u>	<u>336,800</u>	-	<u>9,454</u>	<u>1,205,571</u>

General Obligation Urban Renewal Bonds

On August 31, 2010, the County issued \$2,200,000 of general obligation urban renewal bonds, Series 2010, with interest rates ranging .85% to 3.5% per annum. The bonds were issued to provide funds for the purpose of aiding in the planning, undertaking and carrying out urban renewal projects under the authority of Chapter 403 of the Code of Iowa for the Butler County Logistics Park Urban Renewal Area, including roadway reclamations, paving and right-of-way improvements. These bonds are payable from a continuing annual levy of property tax against all taxable property of the County and from tax increment financing revenues collected pursuant to Chapter 403 of the Code of Iowa. During the year ended June 30, 2021, the County paid principal of \$165,000 and interest of \$29,445 on the bonds.

On September 4, 2013, the County issued \$1,600,000 of general obligation urban renewal bonds, Series 2013, with interest rates ranging from 3.0% to 4.0% per annum. The bonds were issued to provide funds for the purpose of aiding in the planning, undertaking and carrying out urban renewal projects under the authority of Chapter 403 of the Code of Iowa for the Butler County Logistics Park Urban Renewal Area by extending a gas line. These bonds are payable from a continuing annual levy of property tax against all taxable property of the County and from tax increment financing revenues collected pursuant to Chapter 403 of the Code of Iowa. During the year ended June 30, 2021, the County paid principal of \$155,000 and interest of \$41,110 on the bonds.

On November 21, 2017, the County issued \$3,000,000 of general obligation urban renewal bonds, Series 2017, with an interest rate of 2.5% per annum. The bonds were issued to provide funds for the purpose of aiding in the planning, undertaking and carrying out urban renewal projects under the authority of Chapter 403 of the Code of Iowa for the Butler County Logistics Park Urban Renewal Area, including reconstruction and improvement of bridges and the construction, reconstruction, repairing and widening of secondary roads and other highway improvements. These bonds are payable from a continuing annual levy of property tax against all taxable property of the County and from tax increment financing revenues collected pursuant to Chapter 403 of the Code of Iowa. During the year ended June 30, 2021, the County paid principal of \$255,000 and interest of \$65,625 on the bonds.

On November 5, 2019, the County issued \$2,700,000 of general obligation urban renewal bonds, Series 2019, with an interest rate of 2.0% per annum. The bonds were issued to provide funds for the purpose of aiding in the planning, undertaking and carrying out urban renewal projects under the authority of Chapter 403 of the Code of Iowa for the Butler County Logistics Park Urban Renewal Area, including costs associated with the provisions of grants for acquisition and development of land to be included in the Butler County Logistics Park Urban Renewal Area, the reconstruction and improvement of bridges, and the construction, reconstruction, repairing and widening of secondary roads and other highway improvements. These bonds are payable from a continuing annual levy of property tax against all taxable property of the County and from tax increment financing revenues collected pursuant to Chapter 403 of the Code of Iowa. During the year ended June 30, 2021, the County paid principal of \$245,000 interest of \$54,000 on the bonds.

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

Year Ending June 30,	Issued Aug 31, 2010			Issued Sep 4, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	3.20%	\$ 170,000	24,495	3.25%	\$ 170,000	36,460
2023	3.30	180,000	19,055	3.45	190,000	30,935
2024	3.40	185,000	13,115	3.60	200,000	24,380
2025	3.50	195,000	6,825	3.80	210,000	17,180
2026		-	-	4.00	230,000	9,200
2027-2030		-	-		-	-
Total		<u>\$ 730,000</u>	<u>63,490</u>		<u>\$ 1,000,000</u>	<u>118,155</u>

Year Ending June 30,	Issued Nov 21, 2017			Issued Nov 5, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.50%	\$ 260,000	59,250	2.00%	\$ 250,000	49,100
2023	2.50	265,000	52,750	2.00	255,000	44,100
2024	2.50	300,000	46,125	2.00	260,000	39,000
2025	2.50	315,000	38,625	2.00	265,000	33,800
2026	2.50	375,000	30,750	2.00	270,000	28,500
2027-2030	2.50	855,000	32,375	2.00	1,155,000	58,400
Total		<u>\$ 2,370,000</u>	<u>259,875</u>		<u>\$ 2,455,000</u>	<u>252,900</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2022	\$ 850,000	169,305	1,019,305
2023	890,000	146,840	1,036,840
2024	945,000	122,620	1,067,620
2025	985,000	96,430	1,081,430
2026	875,000	68,450	943,450
2027-2030	2,010,000	90,775	2,100,775
Total	<u>\$ 6,555,000</u>	<u>694,420</u>	<u>7,249,420</u>

Equipment Loan – Direct Borrowing

In January 2020, the County borrowed \$37,270 to purchase a tractor for the Conservation Department. The loan is payable in yearly installments of \$9,317 with an interest rate of 0% per annum, over a period of four years. The loan agreement grants Deere & Company a security interest in the equipment purchased. The loan agreement also contains a provision that in the event of a default, Deere & Company shall have the right to remedies as identified in the loan agreement. During the year ended June 30, 2021, the County paid principal of \$9,317 on the loan.

(7) Development and Rebate Agreements

The County has entered into two rebate agreements to assist in urban renewal projects. The agreements require the County to rebate portions of the incremental property tax paid by the developer in exchange for construction of buildings and certain infrastructure improvements by the developers. The agreements also require the developer to certify specific employment requirements are met. The payments under the agreements are subject to annual appropriation by the Board of Supervisors. The maximum outstanding balance of the agreements at June 30, 2021 was \$700,000. During the year, the County rebated \$78,787 of the incremental property tax received. The total amount rebated since the inception of the agreements is \$306,797.

(8) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff’s, deputy’s and protection occupation member’s monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member’s highest three-year average salary.

If a member retires before normal retirement age, the member’s monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member’s earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.26% of covered payroll, for a total rate of 18.52%. Protection occupation members contributed 6.41% of covered payroll and the County contributed 9.61% of covered payroll, for a total rate of 16.02%.

The County's contributions to IPERS for the year ended June 30, 2021 totaled \$519,637.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the County reported a liability of \$3,934,149 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the County's proportion was 0.056004%, which was an increase of 0.001965% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$711,526. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,107	101,716
Changes of assumptions	248,145	72,721
Net difference between projected and actual earnings on IPERS' investments	293,656	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	91,752	50,644
County contributions subsequent to the measurement date	519,637	-
Total	<u>\$ 1,166,297</u>	<u>225,081</u>

\$519,637 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2022	\$ 50,746
2023	88,356
2024	111,203
2025	174,819
2026	<u>(3,545)</u>
Total	<u>\$ 421,579</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 7,257,407	3,934,149	1,148,112

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2021.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Butler County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	<u>84</u>
Total	<u>88</u>

Total OPEB Liability – The County’s total OPEB liability of \$418,049 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020. The total OPEB liability was rolled forward from the July 1, 2020 valuation date to the June 30, 2021 measurement date.

Actuarial Assumptions – The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2020)	3.00% per annum.
Discount rate (effective June 30, 2020)	3.15% compounded annually.
Healthcare cost trend rate (effective June 30, 2020)	6.00% per year.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.15% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 391,637
Changes for the year:	
Service cost	33,687
Interest	13,247
Differences between expected and actual experiences	(11,068)
Benefit payments	<u>(9,454)</u>
Net changes	<u>26,412</u>
Total OPEB liability end of year	<u>\$ 418,049</u>

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.15%) or 1% higher (4.15%) than the current discount rate.

	<u>1% Decrease (2.15%)</u>	<u>Discount Rate (3.15%)</u>	<u>1% Increase (4.15%)</u>
Total OPEB liability	\$ 461,597	418,049	378,946

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rates.

	<u>1% Decrease (5.00%)</u>	<u>Healthcare Cost Trend Rate (6.00%)</u>	<u>1% Increase (7.00%)</u>
Total OPEB liability	\$ 359,202	418,049	488,744

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the County recognized OPEB expense of \$47,508. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 102,520	20,372
Total	<u>\$ 102,520</u>	<u>20,372</u>

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

Year ending June 30,	Amount
2022	\$ 10,027
2023	10,027
2024	10,027
2025	10,027
2026	10,027
Thereafter	<u>32,013</u>
	<u>\$ 82,148</u>

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/ machinery. There have been no reductions in insurance coverage from prior years.

Each member’s annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool’s general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of the basis rate.

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

The County’s property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County’s contributions to the Pool for the year ended June 30, 2021 were \$160,675.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials’ liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County’s risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County’s risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2021, no liability has been recorded in the County's financial statements. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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

(11) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

County Tax Abatements

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

For the year ended June 30, 2021, \$33,740 of property tax was diverted from the County under the County's urban renewal development agreement.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2021 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Parkersburg	Urban renewal and economic development projects	\$ 87,466
City of Shell Rock	Urban renewal and economic development projects	24,303

(12) County Social Services

The County is a member of County Social Services (CSS), a consortium established in accordance with the provisions of Chapters 28E and 331.440(3) of the Code of Iowa for the purpose of administering mental health and disability services for its member counties. The member counties are Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Emmett, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Mitchell, Pocahontas, Tama, Webster, Winneshiek and Wright. The financial activity of the County’s Special Revenue, Mental Health Fund is included in the County Social Services financial statements for the year ended June 30, 2021 as follows:

Revenues:	
Property and other county tax	\$ 411,949
Intergovernmental revenues:	
State tax credits and replacements	31,952
Use of money and property	<u>924</u>
Total revenues	<u>444,825</u>
Expenditures:	
General administration:	
Distribution to regional fiscal agent	<u>436,170</u>
Excess of revenues over expenditures	8,655
Fund balance beginning of year	<u>80,409</u>
Fund balance end of year	<u>\$ 89,064</u>

(13) Early Childhood Iowa Area Board

The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as a Custodial Fund because of the County's fiduciary relationship with the Area Board. The Area Board's financial data for the year ended June 30, 2021 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 87,364	-	87,364
Quality improvement	-	59,966	59,966
Allocation for administration	4,598	13,859	18,457
Other grant programs	-	388,370	388,370
Total state grants	91,962	462,195	554,157
Interest on investments	183	921	1,104
Total revenues	92,145	463,116	555,261
Expenditures:			
Program services:			
Early childhood	79,569	-	79,569
Quality improvement	-	56,267	56,267
Other program services	-	399,301	399,301
Total program services	79,569	455,568	535,137
Administration	4,594	11,260	15,854
Total expenditures	84,163	466,828	550,991
Change in fund balance	7,982	(3,712)	4,270
Fund balance beginning of year	10,334	91,806	102,140
Fund balance end of year	\$ 18,316	88,094	106,410

(14) Emergency Management Agency Bank Note – Direct Borrowing

On January 17, 2020, the Butler County Emergency Management Agency borrowed \$150,000 from Lincoln Savings Bank to purchase a building. The interest rate on the note is 3.5% per annum. The note requires nine annual payments on January 17th of each year of \$13,072, with one final payment of approximately \$72,006 due on January 17, 2030. In the event of a default, the lender may declare the entire unpaid principal balance and all unpaid accrued interest to be due immediately. In addition, the note includes a provision for an increase in the interest rate to 18.0% per annum. The assets and liabilities of the Butler County Emergency Management Agency are included as part of Other Custodial Funds. During the year ended June 30, 2021, the County paid principal of \$7,734 and interest of \$5,338 on the loan.

Details of the Emergency Management Agency Bank Note outstanding at June 30, 2021 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest
2022	3.50%	\$ 8,023	5,049
2023	3.50	8,308	4,764
2024	3.50	8,603	4,469
2025	3.50	8,897	4,175
2026	3.50	9,224	3,848
2027-2030	3.50	99,211	12,008
		<u>\$ 142,266</u>	<u>34,313</u>

(15) Employee Health Insurance Plan

On January 1, 2020, the Internal Service, Employee Group Health Fund, was established to account for the partial self-funding of the County’s health insurance benefit plan. The plan is funded by the County contributions and is administered through a service agreement with Employee Benefit Systems. The agreement is subject to automatic renewal provisions. The County assumes liability for claims between \$2,000 and \$5,000 for single coverage and \$4,000 and \$10,000 for family coverage.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Benefit Systems from the Employee Group Health Fund. The County’s contribution to the fund for the year ended June 30, 2021 was \$137,330.

(16) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Butler County, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Butler County. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Butler County’s operations and finances.

(17) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2021. The new requirements change the definition of fiduciary activity and establish new reporting requirements for state and local governments which report fiduciary activity.

The restatement to retroactively report the change in net position, are as follows:

	<u>Fiduciary Activities</u>
Net position June 30, 2020, as previously reported	\$ -
Change to implement GASBS No. 84	<u>1,119,121</u>
Net position July 1, 2020, as restated	<u>\$ 1,119,121</u>

(18) Subsequent Events

In October 2021, the County issued \$5,000,000 of general obligation urban renewal bonds for the purpose of constructing, reconstructing, repairing and widening secondary roads and other highway improvements to assist with economic development in the Butler County Logistics Park Urban Renewal area and to refinance outstanding indebtedness of the County's general obligation urban renewal bond issued September 2010.

(19) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement will require reporting of certain potentially significant lease assets and liabilities that are not currently reported.

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, 2021

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 8,969,089	8,602,025	8,602,025	367,064
Interest and penalty on property tax	51,814	33,700	33,700	18,114
Intergovernmental	9,160,739	5,726,688	5,726,688	3,434,051
Licenses and permits	61,879	47,000	47,000	14,879
Charges for service	632,049	527,414	527,414	104,635
Use of money and property	242,325	309,566	309,566	(67,241)
Miscellaneous	1,441,448	616,069	979,399	462,049
Total receipts	20,559,343	15,862,462	16,225,792	4,333,551
Disbursements:				
Public safety and legal services	2,403,177	2,746,709	2,746,709	343,532
Physical health and social services	1,379,544	1,457,041	1,497,041	117,497
Mental health	436,170	436,170	436,170	-
County environment and education	1,727,141	1,770,343	1,983,343	256,202
Roads and transportation	6,776,665	6,715,000	6,785,000	8,335
Governmental services to residents	555,229	662,685	662,685	107,456
Administration	1,851,588	2,421,484	2,421,484	569,896
Non-program	1,504	2,500	2,500	996
Debt service	1,011,930	1,012,180	1,012,180	250
Capital projects	3,388,151	2,785,000	5,543,330	2,155,179
Total disbursements	19,531,099	20,009,112	23,090,442	3,559,343
Excess (deficiency) of receipts over (under) disbursements	1,028,244	(4,146,650)	(6,864,650)	7,892,894
Balance beginning of year	9,910,949	8,020,144	8,020,144	1,890,805
Balance end of year	\$ 10,939,193	3,873,494	1,155,494	9,783,699

See accompanying independent auditor's report.

Butler County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2021

	<u>Governmental Funds</u>		
	Cash	Accrual	Modified
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
Revenues	\$ 20,559,343	(1,447,795)	19,111,548
Expenditures	19,531,099	(76,309)	19,454,790
Net	1,028,244	(1,371,486)	(343,242)
Beginning fund balances	9,910,949	566,034	10,476,983
Ending fund balances	<u>\$ 10,939,193</u>	<u>(805,452)</u>	<u>10,133,741</u>

See accompanying independent auditor's report.

Butler County

Butler County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2021

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 the Internal Service Fund and Custodial Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$3,081,330. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Assessor by the County Conference Board, for the 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2021, disbursements did not exceed the amounts budgeted by function.

Butler County

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

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

Required Supplementary Information

	2021	2020	2019	2018
County's proportion of the net pension liability	0.056004%	0.054039%	0.053300%	0.056700%
County's proportionate share of the net pension liability	\$ 3,934	3,129	3,373	3,777
County's covered payroll	\$ 5,370	5,295	5,069	4,964
County's proportionate share of the net pension liability as a percentage of its covered payroll	73.26%	59.09%	66.54%	76.09%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

2017	2016	2015
0.057930%	0.053469%	0.051171%
3,646	2,642	2,029
4,924	4,619	4,527
74.05%	57.20%	44.82%
81.82%	85.19%	87.61%

Butler County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 520	509	505	459
Contributions in relation to the statutorily required contribution	<u>(520)</u>	<u>(509)</u>	<u>(505)</u>	<u>(459)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 5,492	5,370	5,295	5,069
Contributions as a percentage of covered payroll	9.47%	9.48%	9.54%	9.06%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
451	450	422	415	390	363
(451)	(450)	(422)	(415)	(390)	(363)
-	-	-	-	-	-
4,964	4,924	4,619	4,527	4,339	4,275
9.09%	9.14%	9.14%	9.17%	8.99%	8.49%

Butler County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Butler County

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

For the Last Four Years
Required Supplementary Information

	2021	2020	2019	2018
Service cost	\$ 33,687	33,697	16,982	16,958
Interest cost	13,247	12,490	8,838	8,849
Difference between expected and actual experiences	(11,068)	(10,758)	(8,778)	(9,833)
Changes in assumptions and other inputs	-	140,293	-	-
Benefit payments	(9,454)	(12,879)	(16,987)	(14,311)
Net change in total OPEB liability	26,412	162,843	55	1,663
Total OPEB liability beginning of year	391,637	228,794	228,739	227,076
Total OPEB liability end of year	\$ 418,049	391,637	228,794	228,739
Covered-employee payroll	\$ 4,888,544	5,476,233	5,061,214	5,171,127
Total OPEB liability as a percentage of covered-employee payroll	8.6%	7.2%	4.5%	4.4%

See accompanying independent auditor's report.

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2021	3.15%
Year ended June 30, 2020	3.15%
Year ended June 30, 2019	3.72%
Year ended June 30, 2018	3.72%

Butler County

Supplementary Information

Butler County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

	Economic Development Revolving Loan	Seized and Forfeited Property	Sesqui- centennial Memorial	Special County Recorder's Records Management
Assets				
Cash, cash equivalents and pooled investments	\$ 243	19,182	783	5,455
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year property tax	-	-	-	-
Succeeding year tax increment financing	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 243	19,182	783	5,455
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	-	-
Succeeding year tax increment financing	-	-	-	-
Other	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted for:				
Resource enhancement and protection	-	-	-	-
Conservation purposes	-	-	-	-
Debt service	-	-	-	-
Other purposes	243	19,182	783	5,455
Total fund balances	243	19,182	783	5,455
Total liabilities deferred inflows of resources and fund balances	\$ 243	19,182	783	5,455

See accompanying independent auditor's report.

Revenue						
DARE Program	Canine	Conservation Trust	Resource Enhancement and Protection	Logistics Tax Increment Financing	Debt Service	Total
1,205	2,008	263,097	38,496	306,997	98,849	736,315
-	-	-	-	-	654	654
-	-	-	-	-	580,000	580,000
-	-	-	-	624,000	-	624,000
-	-	1,037	-	-	-	1,037
-	-	34	-	-	-	34
1,205	2,008	264,168	38,496	930,997	679,503	1,942,040
-	-	64,542	15,000	-	-	79,542
-	-	-	558	-	-	558
-	-	64,542	15,558	-	-	80,100
-	-	-	-	-	580,000	580,000
-	-	-	-	624,000	-	624,000
-	-	-	-	-	654	654
-	-	-	-	624,000	580,654	1,204,654
-	-	-	22,938	-	-	22,938
-	-	199,626	-	-	-	199,626
-	-	-	-	306,997	98,849	405,846
1,205	2,008	-	-	-	-	28,876
1,205	2,008	199,626	22,938	306,997	98,849	657,286
1,205	2,008	264,168	38,496	930,997	679,503	1,942,040

Butler County

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

Year ended June 30, 2021

	Economic Development Revolving Loan	Seized and Forfeited Property	Sesqui- centennial Memorial	Special County Recorder's Records Management
Revenues:				
Property and other county tax	\$ -	-	-	-
Tax increment financing	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	4,012
Use of money and property	126	-	4	16
Miscellaneous	-	-	-	-
Total revenues	126	-	4	4,028
Expenditures:				
Operating:				
Public safety and legal services	-	6,320	-	-
County environment and education	38,600	-	-	-
Governmental services to residents	-	-	-	1,287
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	38,600	6,320	-	1,287
Excess (deficiency) of revenues over (under) expenditures	(38,474)	(6,320)	4	2,741
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balances	(38,474)	(6,320)	4	2,741
Fund balances beginning of year	38,717	25,502	779	2,714
Fund balances end of year	\$ 243	19,182	783	5,455

See accompanying independent auditor's report.

Revenue							
DARE Program	Canine	Conservation Trust	Resource Enhancement and Protection	Logistics Tax Increment Financing	Debt Service		Total
-	-	-	-	-	587,131		587,131
-	-	-	-	577,271	-		577,271
-	-	307,514	10,803	26,724	45,563		390,604
-	-	-	-	-	-		4,012
-	-	1,719	180	2,245	1,832		6,122
-	-	278,667	-	-	-		278,667
-	-	587,900	10,983	606,240	634,526		1,843,807
-	-	-	-	-	-		6,320
-	-	680,076	12,283	78,787	-		809,746
-	-	-	-	-	-		1,287
-	-	1,057	-	-	1,011,930		1,012,987
-	-	-	15,000	-	-		15,000
-	-	681,133	27,283	78,787	1,011,930		1,845,340
-	-	(93,233)	(16,300)	527,453	(377,404)		(1,533)
-	-	54,200	-	-	390,556		444,756
-	-	-	-	(390,556)	-		(390,556)
-	-	54,200	-	(390,556)	390,556		54,200
-	-	(39,033)	(16,300)	136,897	13,152		52,667
1,205	2,008	238,659	39,238	170,100	85,697		604,619
1,205	2,008	199,626	22,938	306,997	98,849		657,286

Butler County
Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	2,695	423,842	138,671
Other County officials	128,633	-	-	-
Receivables:				
Property tax:				
Delinquent	-	264	578	14,119
Succeeding year	-	221,000	484,000	11,400,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	128,633	223,959	908,420	11,552,790
Liabilities				
Accounts payable	-	-	93	-
Salaries and benefits payable	-	-	13,245	-
Due to other governments	27,905	2,695	-	138,671
Trusts payable	100,728	-	-	-
Note payable	-	-	-	-
Compensated absences	-	-	9,350	-
Total liabilities	128,633	2,695	22,688	138,671
Deferred Inflows of Resources				
Unavailable revenues	-	221,000	484,000	11,400,000
Net Position				
Restricted for individuals, organizations and other governments	\$ -	264	401,732	14,119

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Other	Total
11,694	43,647	3,744	3,868	570,924	223,911	531,960	1,954,956
-	-	-	-	-	-	-	128,633
1,099	9,843	-	-	-	-	16	25,919
1,044,000	4,854,000	300,000	-	-	-	2,000	18,305,000
-	-	-	-	-	-	6,081	6,081
-	-	-	78,629	-	-	-	78,629
-	-	-	-	-	-	61,775	61,775
-	-	-	-	-	1,650	-	1,650
1,056,793	4,907,490	303,744	82,497	570,924	225,561	601,832	20,562,643
-	-	-	-	-	90,827	1,279	92,199
-	-	-	-	-	-	1,652	14,897
11,694	43,647	3,744	3,868	570,924	28,324	3,774	835,246
-	-	-	-	-	-	-	100,728
-	-	-	-	-	-	142,266	142,266
-	-	-	-	-	-	4,279	13,629
11,694	43,647	3,744	3,868	570,924	119,151	153,250	1,198,965
1,044,000	4,854,000	300,000	-	-	-	2,000	18,305,000
1,099	9,843	-	78,629	-	106,410	446,582	1,058,678

Butler County

Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2021

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools
Additions:				
Property and other county tax	\$ -	223,191	487,764	11,435,312
911 surcharge	-	-	-	-
State tax credits	-	17,435	38,093	894,694
Office fees and collections	500,368	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	274,802	-	-	-
Miscellaneous	-	-	126	-
Total additions	<u>775,170</u>	<u>240,626</u>	<u>525,983</u>	<u>12,330,006</u>
Deductions:				
Agency remittances:				
To other funds	146,107	-	-	-
To other governments	267,623	242,220	456,562	12,407,366
Trusts paid out	361,440	-	-	-
Total deductions	<u>775,170</u>	<u>242,220</u>	<u>456,562</u>	<u>12,407,366</u>
Changes in net position	-	(1,594)	69,421	(77,360)
Net position beginning of year, as restated	-	1,858	332,311	91,479
Net position end of year	<u>\$ -</u>	<u>264</u>	<u>401,732</u>	<u>14,119</u>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Other	Total
1,002,451	4,415,469	295,804	-	-	-	57,085	17,917,076
-	-	-	-	-	-	230,936	230,936
77,689	572,626	17,196	-	-	-	184	1,617,917
-	-	-	-	-	-	4,001	504,369
-	-	-	-	6,264,891	-	313	6,265,204
-	-	-	73,279	-	-	1,096	74,375
-	-	-	-	-	-	-	274,802
-	-	-	-	-	561,072	93,458	654,656
1,080,140	4,988,095	313,000	73,279	6,264,891	561,072	387,073	27,539,335
-	-	-	-	218,967	-	-	365,074
1,086,453	5,046,141	314,464	25,224	6,045,924	551,323	429,964	26,873,264
-	-	-	-	-	-	-	361,440
1,086,453	5,046,141	314,464	25,224	6,264,891	551,323	429,964	27,599,778
(6,313)	(58,046)	(1,464)	48,055	-	9,749	(42,891)	(60,443)
7,412	67,889	1,464	30,574	-	96,661	489,473	1,119,121
1,099	9,843	-	78,629	-	106,410	446,582	1,058,678

Butler County

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

For the Last Ten Years

	2021	2020	2019	2018
Revenues:				
Property and other county tax	\$ 7,580,475	6,797,190	6,871,500	6,644,511
Tax increment financing	577,271	445,447	489,252	453,256
Local option sales tax	824,142	550,674	478,156	452,420
Interest and penalty on property tax	51,814	19,116	33,610	31,827
Intergovernmental	7,719,091	6,976,768	6,794,981	6,468,274
Licenses and permits	60,276	66,387	41,650	44,685
Charges for service	603,843	516,596	486,892	497,548
Use of money and property	254,359	299,918	326,244	349,327
Miscellaneous	1,440,277	384,769	383,903	476,772
Total	\$ 19,111,548	16,056,865	15,906,188	15,418,620
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,440,112	2,330,257	2,301,550	2,233,353
Physical health and social services	1,381,703	1,304,162	1,287,662	1,291,648
Mental health	436,170	587,073	692,300	640,392
County environment and education	1,791,988	1,471,155	2,849,835	797,685
Roads and transportation	6,534,282	6,541,923	6,461,651	5,965,948
Governmental services to residents	556,446	563,263	522,539	535,993
Administration	1,904,826	1,888,369	1,710,559	1,830,127
Non-program	1,504	-	15,450	772
Debt service	1,021,247	692,364	587,616	705,109
Capital projects	3,386,512	1,571,110	1,548,497	2,263,375
Total	\$ 19,454,790	16,949,676	17,977,659	16,264,402

* Fiscal years 2012 through 2015 include the mental health activity of County Social Services.

See accompanying independent auditor's report.

2017	2016	2015*	2014*	2013*	2012*
6,401,959	6,689,100	6,422,005	6,040,620	5,824,270	5,697,329
374,851	-	-	-	-	-
469,745	417,764	517,570	435,912	475,028	410,548
34,389	37,623	44,469	49,954	45,381	41,774
7,126,988	6,196,378	29,390,297	28,126,789	24,263,804	37,301,942
48,168	37,306	37,672	38,434	22,980	19,470
511,258	487,784	462,377	520,783	527,185	649,824
310,778	351,087	386,431	410,827	411,239	410,976
299,251	289,515	387,909	708,110	467,648	280,161
<u>15,577,387</u>	<u>14,506,557</u>	<u>37,648,730</u>	<u>36,331,429</u>	<u>32,037,535</u>	<u>44,812,024</u>
2,177,752	2,144,575	2,098,923	2,025,585	1,974,728	1,985,563
1,331,837	1,347,304	1,391,917	1,264,472	1,232,634	1,321,121
558,741	491,015	26,344,911	21,001,701	20,908,988	31,106,457
861,562	1,045,147	726,612	726,629	692,881	739,409
5,409,166	5,021,094	4,961,583	4,812,337	4,582,866	6,036,761
582,905	557,884	650,844	505,399	472,805	471,289
1,638,612	1,542,778	1,677,803	1,550,620	1,528,108	1,476,114
1,396	-	-	-	36,118	1,184
590,740	619,495	544,341	534,736	493,776	238,647
<u>1,677,951</u>	<u>1,982,515</u>	<u>1,226,381</u>	<u>1,929,672</u>	<u>522,641</u>	<u>1,975,248</u>
<u>14,830,662</u>	<u>14,751,807</u>	<u>39,623,315</u>	<u>34,351,151</u>	<u>32,445,545</u>	<u>45,351,793</u>



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

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

To the Officials of Butler County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 31, 2022.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) through (E) to be significant deficiencies.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

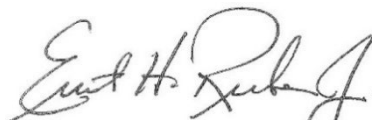
Butler County's Responses to the Findings

Butler County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Butler County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

May 31, 2022

Butler County

Schedule of Findings

Year ended June 30, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one or two individuals in the County Sheriff's office may have control over the following areas for which no compensating controls exist:

- (1) Mail is not opened by someone independent of recording and depositing receipts. An independent mail opener is a strong control when that person prepares a list of cash and checks received in the mail, then forwards the mail and receipts on to the accounting personnel for processing. The independent mail opener should later compare the listing of receipts to the general ledger and bank statements to ensure proper recording and depositing.
- (2) Bank reconciliations are not prepared by someone who doesn't handle, or record cash and an independent review is not performed.
- (3) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from recording and accounting for cash.
- (4) Responsibilities for approving disbursements and issuing checks are not segregated from recording and accounting for cash.

Cause – The County Sheriff's office has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County Sheriff's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, control activities should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel, including elected officials and personnel from other offices, should be utilized to provide additional control through review of financial transactions, reconciliations and reports. The independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – The County Sheriff will review internal control activities to achieve the maximum internal control possible.

Conclusion – Response accepted.

Butler County

Schedule of Findings

Year ended June 30, 2021

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – Material amounts of infrastructure additions were not properly recorded in the County's financial statements. In addition, various intergovernmental receipts were incorrectly recorded as miscellaneous receipts. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require, and procedures have not been established to require independent review of capital assets and receipts to ensure the County's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the error in the normal course of performing their assigned functions. As a result, a material adjustment to the County's financial statements was necessary.

Recommendation – The County should establish procedures to ensure all capital assets are identified and properly reported in the County's financial statements. In addition, the County should ensure receipts are properly recorded.

Response – The County Auditor's office will work closely with Department heads to establish appropriate procedures to ensure all applicable fixed assets and revenues are properly reported.

Conclusion – Response accepted.

(C) Timely Deposits

Criteria – An effective internal control system provides for internal controls related to ensuring the timely deposit of all incoming cash and checks. Departments outside the County Treasurer's office should remit receipts to the County Treasurer at least once a week.

Condition – Thirty-five receipts totaling \$131,825 for the Veteran Affairs Department, Empowerment Board, Emergency Management Agency and Sheriff's Office were not remitted to the County Treasurer's office timely. The receipts were deposited between 21 to 80 days from the State of Iowa warrant date.

Cause – Procedures have not been designed and implemented to ensure all incoming cash and checks are deposited timely.

Effect – This condition could result in unrecorded or misstated revenues and receivables.

Recommendation – Procedures should be established to ensure all receipts are deposited timely.

Butler County

Schedule of Findings

Year ended June 30, 2021

Response – The County Auditor’s office has established procedures to ensure their checks are deposited timely. In addition, the County Auditor will communicate the importance of timely deposits to all applicable Department heads.

Conclusion – Response accepted.

(D) County Sheriff Commissary Account

Criteria – An effective internal control system provides for internal controls related to ensuring bank and book balances are reconciled monthly.

Condition – Bank to book reconciliations are not performed for the commissary account.

Cause – Procedures have not been designed and implemented to ensure the commissary account is reconciled monthly.

Effect – Lack of bank to book reconciliations can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – The County Sheriff should establish procedures to ensure monthly bank reconciliations are performed for the commissary account.

Response – The County Sheriff will begin doing a bank reconciliation for the Commissary bank account each month.

Conclusion – Response accepted.

(E) Empowerment Board Receipts

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County’s financial statements.

Condition – The Butler County Auditor’s Office is the fiscal agent for the Empowerment Board. The County Auditor’s Office prepares monthly cash reports for the Empowerment Board. During the year, three receipts totaling \$161,530 received in January, February and April 2021 were recorded in the County’s General Fund rather than the Empowerment Board’s Custodial Fund. Empowerment Board staff identified the error in July 2021, and the amounts were subsequently corrected for reporting purposes.

Cause – The fiscal agent and the Empowerment Board procedures have not been established to ensure receipts are properly recorded in a timely manner.

Effect – Lack of policies and procedures resulted in the fiscal agent and the Empowerment Board employees not detecting the error in the normal course of performing their assigned functions. As a result, a material adjustment to the County’s financial statements was necessary.

Butler County

Schedule of Findings

Year ended June 30, 2021

Recommendation – The fiscal agent and the Empowerment Board staff should develop procedures to help ensure all activity, including revenues, have been properly recorded.

Response – Early Childhood Iowa (ECI) payments are quarterly payments; however, there is not a specific date when they are issued which sometimes makes it challenging to know if they should have been received or if they have been received or if there has been a delay with processing at the state level. The other challenge is that the payments go directly to the fiscal agent, not to the ECI Board or staff, so they depend on Butler County to forward those payments, once received to the ECI Board/staff for deposit into the appropriate account. In this instance, those payments were not forwarded to the ECI Board/staff as they should have been. The ECI Board will be transitioning to electronic deposit of ECI funds and staff will be monitoring the revenue/expense reports on a monthly basis.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Butler County

Schedule of Findings

Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (5) Restricted Donor Activity – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) 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.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) 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.
- (9) 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).
- (10) Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Custodial Funds because of the County’s fiduciary relationship with the organization.

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

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

The Annual Urban Renewal Report was not approved by the Board of Supervisors.

The County understated the amount reported as TIF debt outstanding on the Levy Authority Summary. In addition, the ending balance and the amount reported as revenues for the Special Revenue, Logistics Tax Increment Financing Fund on the Levy Authority Summary do not agree with the County’s general ledger.

Butler County

Schedule of Findings

Year ended June 30, 2021

Recommendation – The County should ensure the report is properly approved, the TIF debt outstanding, the beginning and ending balances and revenues reported in the Levy Authority Summary agree with and are supported by the County’s records.

Response – The County Auditor has worked closely with the State Auditor’s office to ensure this report is completed correctly going forward.

Conclusion – Response accepted.

- (12) Tax Increment Financing – Payments from the Special Revenue, Tax Increment Financing (TIF) Fund properly included only payments for TIF loans and rebates. Also, Butler County properly completed the Tax Increment Debt Forms 1, 2, or 3, as appropriate, to certify TIF obligations (debt), to decertify TIF debt or to request a reduced distribution of TIF.

Butler County

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Tiffany M. Ainger, CPA, Manager
Sarah J. Swisher, Senior Auditor II
Micaela A. Tintjer, CPA, Senior Auditor
Alyson J. Logel, Staff Auditor
Brandon G. Sommers, Staff Auditor
Priscilla M. Ruiz Torres, Staff Auditor
Preston D. McVey, Assistant Auditor
Samantha A. Hawkins, Intern Auditor