



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
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NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

March 28, 2024

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$19,884,016 for the year ended June 30, 2023, a 14.0% decrease. Expenses for County operations for the year ended June 30, 2023 totaled \$16,999,952, a 7.9% increase. The decrease in revenues is due to less farm to market roadway projects contributed by the Iowa Department of Transportation. The increase in expenses is due primarily to an increase in roads and transportation expenses and tax increment financing rebates.

AUDIT FINDINGS:

Sand reported six findings related to the receipt and expenditure of taxpayer funds. They are found on pages 86 through 90 of this report. The findings address issues such as lack of segregation of duties in the County Sheriff's Office, material amounts of payables and capital assets 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 six 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 website at [Audit Reports – Auditor of State](#).

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BUTLER COUNTY

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

JUNE 30, 2023

Butler County



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

Rob Sand
Auditor of State

March 20, 2024

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, 2023. 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, appearing to read "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand
Auditor of State

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Butler County

Officials

(Before January 2023)

<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
Roxanne (Roxie) Nicolaus	County Treasurer	Jan 2023
Janice Jacobs	County Recorder	Jan 2023
Jason Johnson	County Sheriff	Jan 2025
David Kuehner	County Attorney	Jan 2023
Michele Shultz	County Assessor	Jan 2028

(After January 2023)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Greg Barnett	Board of Supervisors	Jan 2025
Wayne Dralle	Board of Supervisors	Jan 2027
Robert (Rusty) Eddy	Board of Supervisors	Jan 2027
Leslie Groen	County Auditor	Jan 2025
Roxanne (Roxie) Nicolaus	County Treasurer	Jan 2027
Janice Jacobs	County Recorder	Jan 2027
Jason Johnson	County Sheriff	Jan 2025
David Kuehner	County Attorney	Jan 2027
Michele Shultz	County Assessor	(Retired Apr 2023)
David Wangsness (Appointed May 2023)	County Assessor	Jan 2028



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Independent Auditor's Report

To the Officials of Butler County:

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Butler County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Butler County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Butler County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Butler County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 60 through 72 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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, 2022 (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.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the supplementary information in Schedules 1 through 5 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 March 20, 2024 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

March 20, 2024

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, 2023. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2023 FINANCIAL HIGHLIGHTS

- The Governor signed Senate File 619 on June 16, 2021 which significantly changed mental health funding. The County was required to transfer the remaining fund balance of the Special Revenue, Mental Health Fund to County Social Services prior to June 30, 2022.
- Governmental activities revenues decreased \$3,233,073, or 14.0%, from fiscal year 2022 to fiscal year 2023. Capital grants, contributions and restricted interest decreased \$5,221,675, or 90.0%, while American Rescue Plan Act revenue increased \$1,264,665, or 567.6%.
- Program expenses of the County's governmental activities increased \$1,246,640, or 7.9%, from fiscal year 2022 to fiscal year 2023. Roads and transportation, county environment and education and public safety and legal services expenses increased \$1,083,986, \$646,878 and \$118,043, respectively.
- The County's net position increased 5.8%, or \$2,884,064, over the June 30, 2022 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 (asset) 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, 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 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,	
	2023	2022
Current and other assets	\$ 25,926,241	28,289,316
Capital assets	49,327,580	47,417,527
Total assets	75,253,821	75,706,843
Deferred outflows of resources	842,401	878,979
Long-term liabilities	11,327,030	10,860,690
Other liabilities	2,000,904	3,502,772
Total liabilities	13,327,934	14,363,462
Deferred inflows of resources	10,582,895	12,921,031
Net position:		
Net investment in capital assets	43,760,601	42,437,100
Restricted	9,703,087	8,715,313
Unrestricted	(1,278,295)	(1,851,084)
Total net position	\$ 52,185,393	49,301,329

Net position of Butler County’s governmental activities increased 5.8% (approximately \$52.2 million compared to approximately \$49.3 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 \$1,300,000, or 3.1% over the prior year, primarily due, in part, to infrastructure placed into service by Secondary Roads.

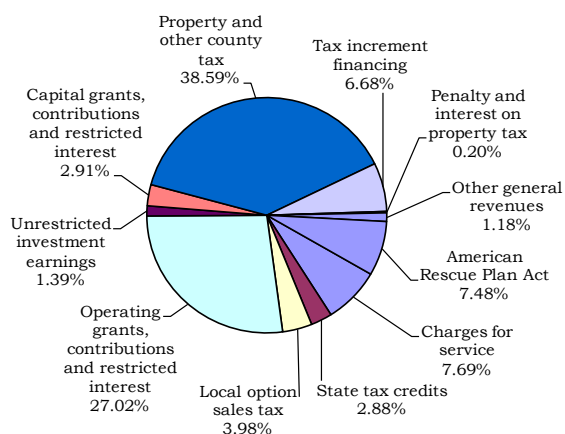
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$990,000, or 11.3% over the prior year. The increase is primarily due to an increase in the Special Revenue, Rural Services ending fund balance and the Special Revenue, Secondary Roads ending fund 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 – increased from a deficit of \$1,851,084 at June 30, 2022 to a deficit of \$1,278,295 at the end of this year, an increase of 30.9%. 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 OPEB liabilities. The current year increase in this net position category is due, in part, to a decrease in net pension deferred inflows.

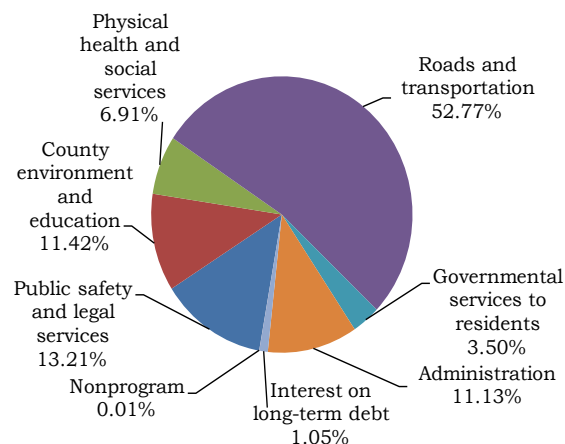
Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2023	2022
Revenues:		
Program revenues:		
Charges for service	\$ 1,529,480	1,527,367
Operating grants, contributions and restricted interest	5,373,247	5,452,684
Capital grants, contributions and restricted interest	577,931	5,799,606
General revenues:		
Property and other county tax	7,674,477	7,549,557
Tax increment financing	1,329,119	896,162
Penalty and interest on property tax	38,826	36,810
State tax credits	571,766	587,903
Local option sales tax	790,940	799,138
American Rescue Plan Act	1,487,465	222,800
Unrestricted investment earnings	276,771	115,153
Other general revenues	233,994	129,909
Total revenues	19,884,016	23,117,089
Program expenses:		
Public safety and legal services	2,245,578	2,127,535
Physical health and social services	1,174,407	1,110,669
Mental health	-	398,052
County environment and education	1,940,984	1,294,106
Roads and transportation	8,971,675	7,887,689
Governmental services to residents	595,823	576,073
Administration	1,891,561	2,206,099
Nonprogram	1,830	3,122
Interest on long-term debt	178,094	149,967
Total expenses	16,999,952	15,753,312
Change in net position	2,884,064	7,363,777
Net position beginning of year	49,301,329	41,937,552
Net position end of year	\$ 52,185,393	49,301,329

Revenues by Source



Expenses by Program



Revenues for governmental activities decreased \$3,233,073 from the prior year. Capital grants, contributions and restricted interest decreased \$5,221,675 due to a decrease of approximately \$5,112,731 in farm to market roadway projects contributed by the Iowa Department of Transportation.

Total expenses increased \$1,246,640, or 7.9%, over the prior year. This was primarily related to increases in the roads and transportation and county environment and education functions due to more road maintenance projects and an increase in tax increment financing rebates, respectively, in fiscal year 2023.

INDIVIDUAL MAJOR FUND ANALYSIS

As Butler County completed the year, its governmental funds reported a combined fund balance of approximately \$13.3 million, an increase of approximately \$827,000 from last year's total of approximately \$14.1 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 2023 with a fund balance of \$2,465,448, a \$50,219 decrease from the ending balance for fiscal year 2022. Revenues increased \$1,440,409, or 21.2%, and expenditures increased \$1,325,137, or 19.1%. The increase in revenues was due primarily to an increase in intergovernmental revenues of approximately \$1,100,000. The increase in intergovernmental revenues is due primarily to the recognition of approximately \$1,487,000 in American Rescue Plan Act (ARPA) revenue. The increase in expenditures is primarily due to an increase in the capital projects function of \$1,153,865 due to the construction of an addition to the Emergency Management Building for Public Health office space.
- The Special Revenue, Rural Services Fund ended fiscal year 2023 with a fund balance of \$2,839,307, an increase of \$493,395 over the ending balance for fiscal year 2022. Revenues increased \$175,194, or 5.4%, over the prior year. Expenditures decreased \$3,022, or less than 1% from the prior year.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2023 with a fund balance of \$4,434,271, an increase of \$300,274 over the ending balance for fiscal year 2022. Revenues increased \$455,044, or 8.9%, due primarily to an increase in state grants of approximately \$242,000. Expenditures decreased \$228,296, or 2.8%, due in part to less construction projects during the fiscal year.
- The Special Revenue, Logistics Park Tax Increment Financing Fund, ended fiscal year 2023 with a fund balance of \$758,292, a decrease of \$141,200 from the ending balance for fiscal year 2022. Revenues increased approximately \$420,000, or 44.7%, due to increased tax increment financing revenues. Expenditures increased approximately \$628,000, or 799.4%, due to an increase in tax increment financing rebates paid to developers.
- The Capital Projects Fund ended fiscal year 2023 with a fund balance of \$2,340,863, a decrease of \$1,607,346, from the ending balance for fiscal year 2022. Expenditures increased approximately \$1,243,000, or 589.0%, due to an increase in road construction projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, Butler County amended its budget two times. The first amendment was made on August 2, 2022 and resulted in increased intergovernmental revenues for ARPA federal grant proceeds. The amendment also increased disbursements in the physical health and social services function for an increase in travel, the government services to residents function for election cybersecurity updates and the capital projects function for a Public Health building project. The second amendment was made on January 17, 2023 to increase disbursements in the capital projects function primarily due to increased expenditures for ARPA projects.

The County's receipts were \$1,648,341 less than the amended budget, a variance of 8.3%. The most significant variance resulted from the County collecting less intergovernmental receipts than anticipated for the American Rescue Plan Act.

Total disbursements were \$4,471,021 less than the amended budget, a variance of 17.7%. The largest variance resulted from capital project function disbursements being \$3,102,098 less than budgeted. This was primarily due to a delay in road construction projects.

The County did not exceed the budgeted amounts for the year ended June 30, 2023.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, Butler County had approximately \$49.3 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 \$1.9 million over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2023	2022
Land	\$ 1,842,670	1,795,119
Construction in progress	509,560	3,291,172
Buildings	3,305,325	1,849,961
Improvements other than buildings	39,139	42,172
Equipment and vehicles	2,554,395	2,709,713
Right-to-use leased assets	106,524	-
Infrastructure	40,969,967	37,729,390
Total	<u>\$ 49,327,580</u>	<u>47,417,527</u>
This year's major additions included:		
Infrastructure contributed by the Iowa Department of Transportation	\$	180,800
Road network construction		2,769,634
Purchase of equipment for the Secondary Roads Department		115,464
Purchase of land for the Secondary Roads Department		47,551
Building project for the Public Health Department		1,514,500
Sheriff, Conservation and IT vehicles and equipment		241,282
Total		<u>\$ 4,869,231</u>

The County had depreciation/amortization expense of \$3,140,997 in fiscal year 2023 and total accumulated depreciation/amortization of approximately \$35.8 million at June 30, 2023. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2023, Butler County had \$8.830 million of outstanding general obligation bonds, loans and lease agreements compared to \$9.984 million at June 30, 2022.

Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2023	2022
General obligation urban renewal bonds	\$ 8,715	9,965
Conservation equipment loan	9	19
Lease agreements	106	-
	<u>\$ 8,830</u>	<u>9,984</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 \$80.9 million. Additional information about the County's long-term debt is presented in Note 7 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 2024 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.9% versus 2.5% a year ago. This compares with the State's unemployment rate of 2.7% and the national rate of 3.6%.

Fiscal year 2024 budgeted receipts decreased approximately \$1,780,000 while budgeted disbursements increased approximately \$4,429,000 compared to fiscal year 2023 actuals. If the budget estimates are realized, the County's fund balances are expected to decrease approximately \$5.4 million by the close of fiscal year 2024.

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, 2023

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 13,599,362
Receivables:	
Property tax:	
Delinquent	8,379
Succeeding year	8,141,000
Succeeding year tax increment financing	1,624,000
Interest and penalty on property tax	28,377
Accounts	13,565
Opioid settlement	164,659
Due from other governments	615,991
Lease receivable	267,449
Inventories	1,463,459
Capital assets not being depreciated	2,352,230
Capital assets, net of accumulated depreciation/amortization	<u>46,975,350</u>
Total assets	<u>75,253,821</u>
Deferred Outflows of Resources	
Pension related deferred outflows	763,196
OPEB related deferred outflows	<u>79,205</u>
Total deferred outflows of resources	<u>842,401</u>

Butler County
Statement of Net Position
June 30, 2023

	Governmental Activities
Liabilities	
Accounts payable	613,580
Salaries and benefits payable	243,911
Accrued interest payable	12,814
Advances from grantors	10,000
Due to other governments	26,258
Unearned revenues	1,094,341
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	1,305,000
Loans payable	9,319
Lease agreements	29,893
Compensated absences	326,115
Total OPEB liability	13,220
Portion due or payable after one year:	
General obligation bonds	7,410,000
Lease agreements	76,130
Compensated absences	90,910
Net pension liability	1,596,613
Total OPEB liability	469,830
Total liabilities	13,327,934
Deferred Inflows of Resources	
Lease related	267,449
Unavailable revenues:	
Succeeding year property tax	8,141,000
Succeeding year tax increment financing	1,624,000
Pension related deferred inflows	524,455
OPEB related deferred inflows	25,991
Total deferred inflows of resources	10,582,895
Net Position	
Net investment in capital assets	43,760,601
Restricted for:	
Supplemental levy purposes	895,200
Rural services purposes	2,887,064
Secondary roads purposes	4,235,445
Conservation purposes	552,235
Debt service	766,046
Opioid abatement	210,232
Other purposes	156,865
Unrestricted	(1,278,295)
Total net position	\$ 52,185,393

See notes to financial statements.

Butler County

Butler County
Statement of Activities
Year ended June 30, 2023

	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	\$ 2,245,578	335,209	40,736	-	(1,869,633)
Physical health and social services	1,174,407	475,454	235,215	-	(463,738)
County environment and education	1,940,984	85,034	97,957	155,245	(1,602,748)
Roads and transportation	8,971,675	243,671	4,852,476	422,686	(3,452,842)
Governmental services to residents	595,823	312,545	2,429	-	(280,849)
Administration	1,891,561	70,453	144,434	-	(1,676,674)
Nonprogram	1,830	7,114	-	-	5,284
Interest on long-term debt	178,094	-	-	-	(178,094)
Total	\$ 16,999,952	1,529,480	5,373,247	577,931	(9,519,294)
General Revenues:					
Property and other county tax levied for:					
General purposes					7,076,161
Debt service					598,316
Tax increment financing					1,329,119
Penalty and interest on property tax					38,826
State tax credits					571,766
Local option sales tax					790,940
American Rescue Plan Act					1,487,465
Unrestricted investment earnings					276,771
Rent					147,249
Gain on disposition of capital assets					61,625
Miscellaneous					25,120
Total general revenues					12,403,358
Change in net position					2,884,064
Net position beginning of year					49,301,329
Net position end of year					\$ 52,185,393

See notes to financial statements.

Butler County
Balance Sheet
Governmental Funds

June 30, 2023

			Special
Assets	General	Rural Services	Secondary Roads
Cash, cash equivalents and pooled investments	\$ 3,741,661	2,832,806	3,132,706
Receivables:			
Property tax:			
Delinquent	6,527	1,057	-
Succeeding year	4,950,000	2,627,000	-
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	28,377	-	-
Accounts	12,640	-	925
Opioid settlement	-	-	-
Due from other governments	90,762	92,017	433,212
Lease receivable	-	-	267,449
Inventories	-	-	1,463,459
Total assets	\$ 8,829,967	5,552,880	5,297,751
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 111,257	543	498,906
Salaries and benefits payable	129,354	17,823	96,734
Advances from grantors	10,000	-	-
Due to other governments	23,677	2,025	391
Unearned revenues	1,094,341	-	-
Total liabilities	1,368,629	20,391	596,031
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	4,950,000	2,627,000	-
Succeeding year tax increment financing	-	-	-
Other	45,890	66,182	-
Lease related	-	-	267,449
Total deferred inflows of resources	4,995,890	2,693,182	267,449
Fund balances:			
Nonspendable:			
Inventories	-	-	1,463,459
Restricted for:			
Supplemental levy purposes	923,031	-	-
Rural services purposes	-	2,839,307	-
Secondary roads purposes	-	-	2,970,812
Resource enhancement and protection	-	-	-
Conservation purposes	168,000	-	-
Jail and courthouse security	97,832	-	-
Capital projects	-	-	-
Debt service	-	-	-
Opioid abatement	-	-	-
Other purposes	43,155	-	-
Unassigned	1,233,430	-	-
Total fund balances	2,465,448	2,839,307	4,434,271
Total liabilities, deferred inflows of resources and fund balances	\$ 8,829,967	5,552,880	5,297,751

See notes to financial statements.

<u>Revenue</u>			
Logistics Park Tax Increment Financing	Capital Projects	Nonmajor	Total
758,292	2,340,863	465,459	13,271,787
-	-	795	8,379
-	-	564,000	8,141,000
1,624,000	-	-	1,624,000
-	-	-	28,377
-	-	-	13,565
-	-	164,659	164,659
-	-	-	615,991
-	-	-	267,449
-	-	-	1,463,459
<u>2,382,292</u>	<u>2,340,863</u>	<u>1,194,913</u>	<u>25,598,666</u>
-	-	-	610,706
-	-	-	243,911
-	-	-	10,000
-	-	-	26,093
-	-	-	1,094,341
-	-	-	1,985,051
-	-	564,000	8,141,000
1,624,000	-	-	1,624,000
-	-	165,454	277,526
-	-	-	267,449
<u>1,624,000</u>	<u>-</u>	<u>729,454</u>	<u>10,309,975</u>
-	-	-	1,463,459
-	-	-	923,031
-	-	-	2,839,307
-	-	-	2,970,812
-	-	18,572	18,572
-	-	365,663	533,663
-	-	-	97,832
-	2,340,863	-	2,340,863
-	-	19,773	19,773
-	-	45,573	45,573
758,292	-	15,878	817,325
-	-	-	1,233,430
<u>758,292</u>	<u>2,340,863</u>	<u>465,459</u>	<u>13,303,640</u>
<u>2,382,292</u>	<u>2,340,863</u>	<u>1,194,913</u>	<u>25,598,666</u>

Butler County

Butler County

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

June 30, 2023

Total governmental fund balances (page 21) \$ 13,303,640

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$85,160,448 and the accumulated depreciation/amortization is \$35,832,868.

49,327,580

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.

277,526

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.

324,536

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	\$ 842,401	
Deferred inflows of resources	<u>(550,446)</u>	291,955

Long-term liabilities, including loans, lease agreements payable, 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.

(11,339,844)

Net position of governmental activities (page 17)

\$ 52,185,393

See notes to financial statements.

Butler County

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

Year ended June 30, 2023

	Special		
	General	Rural Services	Secondary Roads
Revenues:			
Property and other county tax	\$ 4,493,621	2,580,710	-
Tax increment financing	-	-	-
Local option sales tax	-	395,470	395,470
Interest and penalty on property tax	35,241	-	-
Intergovernmental	2,479,701	444,462	5,003,704
Licenses and permits	22,782	18,427	38,127
Charges for service	539,167	2,420	-
Use of money and property	382,826	-	-
Miscellaneous	289,290	-	154,196
Total revenues	<u>8,242,628</u>	<u>3,441,489</u>	<u>5,591,497</u>
Expenditures:			
Operating:			
Public safety and legal services	1,915,083	587,402	-
Physical health and social services	1,296,608	-	-
County environment and education	697,945	337,614	-
Roads and transportation	-	75,000	6,272,686
Governmental services to residents	618,149	8,078	-
Administration	2,139,930	-	-
Debt service	-	-	-
Capital projects	1,589,329	-	1,515,492
Total expenditures	<u>8,257,044</u>	<u>1,008,094</u>	<u>7,788,178</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,416)</u>	<u>2,433,395</u>	<u>(2,196,681)</u>
Other financing sources (uses):			
Transfers in	-	-	2,433,780
Transfers out	(160,000)	(1,940,000)	-
Sale of capital assets	4,188	-	63,175
Lease agreements	120,009	-	-
Total other financing sources (uses)	<u>(35,803)</u>	<u>(1,940,000)</u>	<u>2,496,955</u>
Change in fund balances	(50,219)	493,395	300,274
Fund balances beginning of year	<u>2,515,667</u>	<u>2,345,912</u>	<u>4,133,997</u>
Fund balances end of year	<u>\$ 2,465,448</u>	<u>2,839,307</u>	<u>4,434,271</u>

See notes to financial statements.

Revenue				
Logistics				
Park Tax				
Increment	Capital			
Financing	Projects	Nonmajor		Total
-	-	598,213		7,672,544
1,329,119	-	-		1,329,119
-	-	-		790,940
-	-	-		35,241
14,728	-	54,509		7,997,104
-	-	-		79,336
-	-	2,809		544,396
15,313	38,465	7,661		444,265
-	142,006	193,575		779,067
1,359,160	180,471	856,767		19,672,012
-	-	-		2,502,485
-	-	-		1,296,608
706,675	-	24,603		1,766,837
-	-	-		6,347,686
-	-	1,184		627,411
-	-	-		2,139,930
-	-	1,438,960		1,438,960
-	1,454,037	7,500		4,566,358
706,675	1,454,037	1,472,247		20,686,275
652,485	(1,273,566)	(615,480)		(1,014,263)
-	-	793,685		3,227,465
(793,685)	(333,780)	-		(3,227,465)
-	-	-		67,363
-	-	-		120,009
(793,685)	(333,780)	793,685		187,372
(141,200)	(1,607,346)	178,205		(826,891)
899,492	3,948,209	287,254		14,130,531
758,292	2,340,863	465,459		13,303,640

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, 2023

Change in fund balances - Total governmental funds (page 25) \$ (826,891)

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/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 4,688,616	
Capital assets contributed by the Iowa Department of Transportation	180,800	
Right-to-use leased capital assets	120,009	
Depreciation/amortization expense	<u>(3,140,997)</u>	1,848,428

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

61,625

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	1,933	
Other	<u>(35,964)</u>	(34,031)

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

Issued	(120,009)	
Repaid	<u>1,273,303</u>	1,153,294

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.

533,591

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	2,256	
OPEB expense	(48,304)	
Pension expense	136,267	
Interest on long-term debt	<u>1,549</u>	<u>91,768</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.

56,280

Change in net position of governmental activities (page 19) \$ 2,884,064

See notes to financial statements.

Butler County
 Statement of Net Position
 Proprietary Fund
 June 30, 2023

	Internal Service - Employee Group Health
Assets	
Cash and cash equivalents	\$ 327,575
Liabilities	
Accounts payable	2,874
Due to other governments	165
Total liabilities	3,039
Net Position	
Unrestricted	\$ 324,536

See notes to financial statements.

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

Year ended June 30, 2023

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 114,161
Operating expenses:		
Medical and health services	\$ 52,660	
Administrative and other fees	<u>5,221</u>	<u>57,881</u>
Operating income		56,280
Net position beginning of year		<u>268,256</u>
Net position end of year		<u>\$ 324,536</u>

See notes to financial statements.

Butler County
Statement of Cash Flows
Propriety Fund
Year ended June 30, 2023

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 114,161
Cash paid to suppliers for services	(54,842)
Net cash provided by operating activities	59,319
Cash and cash equivalents beginning of year	268,256
Cash and cash equivalents end of year	\$ 327,575
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 56,280
Adjustment to reconcile operating income to net cash provided by operating activities:	
Changes in liabilities:	
Accounts payable	2,874
Due to other governments	165
Net cash provided by operating activities	\$ 59,319

See notes to financial statements.

Butler County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2023

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,865,122
Other County officials	113,668

Receivables:

Property tax:	
Delinquent	31,939
Succeeding year	19,609,000
Accounts	9,138
Special assessments	64,655
Due from other governments	<u>91,336</u>

Total assets	<u>21,784,858</u>
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Liabilities

Accounts payable	96,705
Salaries and benefits payable	18,331
Due to other governments	771,436
Trusts payable	98,878
Notes payable	125,935
Compensated absences	<u>11,046</u>

Total liabilities	<u>1,122,331</u>
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Deferred Inflows of Resources

Unavailable property tax revenue	<u>19,609,000</u>
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Net position

Restricted for individuals, organizations and other governments	<u>\$ 1,053,527</u>
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See notes to financial statements.

Butler County
Statement of Changes in Fiduciary Net Position
Custodial Funds

June 30, 2023

Additions:	
Property and other county tax	\$ 18,823,087
911 surcharge	153,506
State tax credits	1,448,928
Office fees and collections	448,300
Auto licenses, use tax and postage	6,436,106
Assessments	15,600
Trusts	205,585
Miscellaneous	<u>840,148</u>
Total additions	<u>28,371,260</u>
Deductions:	
Agency remittances:	
To other funds	340,280
To other governments	27,694,404
Trusts paid out	<u>258,253</u>
Total deductions	<u>28,292,937</u>
Change in net position	78,323
Net position beginning of year	<u>975,204</u>
Net position end of year	<u>\$ 1,053,527</u>

See notes to financial statements.

Butler County

Notes to Financial Statements

June 30, 2023

(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/amortization 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 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 Logistics Park Tax Increment Financing Fund is used to account for tax increment financing collections in the urban renewal district and the repayment of tax increment financing indebtedness.

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 they are 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, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2022.

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.

Opioid Settlement Receivable – The County will receive payments from certain prescription drug companies and pharmaceutical distributors engaged in misleading and fraudulent conduct in the marketing and sale of opioids and failure to monitor for, detect and prevent diversion of the drugs. The County is required to use these funds for activities to remediate the opioid crisis and treat or mitigate opioid use disorder and related disorders through prevention, harm reduction and recovery services.

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 (except for intangible right-to-use lease assets, the measurement of which is discussed under “Leases” below) 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 an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Intangibles - Other	\$ 100,000
Intangibles - Right-of-way	50,000
Infrastructure	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000
Right-to-use leased assets	5,000

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

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

Leases – **County as Lessee** – Butler County is the lessee for five noncancellable leases of equipment. The County has recognized a lease liability and intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payment expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payment made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Butler County determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

Butler County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

County as Lessor – Butler County is a lessor for two noncancellable leases of farmland. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how Butler County determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

Butler County uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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 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.

Unearned Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Unearned revenue in the government-wide and governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the County has not made the qualifying expenditure. Unearned revenue consists of unspent American Rescue Plan Act proceeds.

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, 2023. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 (asset), 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, 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 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, 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, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets and deferred amounts related to leases.

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, 2023, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2023 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 \$3,293,456. There were no limitations or restrictions on withdrawals for the IPAIT investments. The investment in IPAIT is unrated.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 160,000
	Special Revenue:	
	Rural Services	1,940,000
	Capital Projects	333,780
		<u>2,433,780</u>
Debt Service	Special Revenue:	
	Logistics Park Tax	
	Increment Financing	793,685
Total		<u>\$ 3,227,465</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, 2023 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 1,795,119	47,551	-	1,842,670
Construction in progress, other	22,775	-	22,775	-
Construction in progress, road network	3,268,397	2,950,434	5,709,271	509,560
Total capital assets not being depreciated/amortized	<u>5,086,291</u>	<u>2,997,985</u>	<u>5,732,046</u>	<u>2,352,230</u>
Capital assets being depreciated/amortized:				
Buildings	4,069,840	1,514,500	25,000	5,559,340
Improvements other than buildings	75,820	-	-	75,820
Equipment and vehicles	13,127,840	484,040	345,296	13,266,584
Right-to-use leased equipment	-	120,009	-	120,009
Infrastructure, road network	54,741,709	5,709,271	-	60,450,980
Infrastructure, other	3,335,485	-	-	3,335,485
Total capital assets being depreciated/amortized	<u>75,350,694</u>	<u>7,827,820</u>	<u>370,296</u>	<u>82,808,218</u>
Less accumulated depreciation/amortization for:				
Buildings	2,219,879	59,136	25,000	2,254,015
Improvements other than buildings	33,648	3,033	-	36,681
Equipment and vehicles	10,418,127	596,649	302,587	10,712,189
Right-to-use leased assets	-	13,485	-	13,485
Infrastructure, road network	19,658,344	2,354,897	-	22,013,241
Infrastructure, other	689,460	113,797	-	803,257
Total accumulated depreciation/amortization	<u>33,019,458</u>	<u>3,140,997</u>	<u>327,587</u>	<u>35,832,868</u>
Total capital assets being depreciated/amortized, net	<u>42,331,236</u>	<u>4,686,823</u>	<u>42,709</u>	<u>46,975,350</u>
Governmental activities capital assets, net	<u>47,417,527</u>	<u>7,684,808</u>	<u>5,774,755</u>	<u>49,327,580</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 57,475
Physical health and social services		3,333
County environment and education		191,513
Roads and transportation		2,807,329
Governmental services to residents		16,635
Administration		<u>64,712</u>
Total depreciation expense - governmental activities		<u>\$ 3,140,997</u>

(5) County Farm Lease Receivable

The County owns 281 tillable acres of farmland. Effective March 1, 2023, the County entered into a three-year lease with John and Lisa Wessels whereby John and Lisa Wessels operate the Farm. The County is to receive \$141,905 in land rent annually with an implicit rate of 5.5%.

The County owns 19.5 tillable acres of farmland. Effective March 1, 2023, the County entered into a three-year lease with Steve Henning whereby Steve Henning operates the Farm. The County is to receive \$2,925 in land rent annually with an implicit rate of 5.5%.

Year	Ending		
	Wessels	Henning	Total
June 30,	Amount	Amount	Amount
2024	\$ 141,905	2,950	144,855
2025	141,905	2,950	144,855
Total	283,810	5,900	289,710
Less interest	(21,808)	(453)	(22,261)
Present value	<u>\$ 262,002</u>	<u>5,447</u>	<u>267,449</u>

(6) 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, 2023 is as follows:

Fund	Description	Amount
General	Services	\$ 23,677
Special Revenue:		
Rural Services	Services	2,025
Secondary Roads	Services	391
Total for governmental funds		\$ 26,093
Custodial:		
County Agricultural Extension	Collections	\$ 2,228
Schools		115,553
Community Colleges		11,026
Corporations		30,455
Townships		3,375
City Special Assessments		509
Auto License and Use Tax		546,136
Empowerment Board		27,184
All other		34,970
Total for custodial funds		\$ 771,436

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	General Obligation Urban Renewal Bonds	Direct Borrowing - Conservation Equipment Loan	Lease Agreements	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 9,965,000	18,636	-	419,281	(1,126,563)	457,773	9,734,127
Increases	-	-	120,009	410,383	2,723,176	52,499	3,306,067
Decreases	1,250,000	9,317	13,986	412,639	-	27,222	1,713,164
Balance end of year	\$ 8,715,000	9,319	106,023	417,025	1,596,613	483,050	11,327,030
Due within one year	\$ 1,305,000	9,319	29,893	326,115	-	13,220	1,683,547

General Obligation Urban Renewal 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, 2023, the County paid principal of \$190,000 and interest of \$30,935 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, 2023, the County paid principal of \$265,000 and interest of \$52,750 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, 2023, the County paid principal of \$255,000 interest of \$44,100 on the bonds.

On October 6, 2021, the County issued \$5,000,000 of general obligation urban renewal bonds, Series 2021, with an interest rate of 1.0% to 1.2% 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 and to refund outstanding indebtedness of the County's general obligation urban renewal bonds issued September 2010. 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, 2023, the County paid principal of \$540,000 interest of \$49,657 on the bonds.

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

Year Ending June 30,	Issued Sep 4, 2013			Issued Nov 21, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	3.60%	\$ 200,000	24,380	2.50%	\$ 300,000	46,125
2025	3.80	210,000	17,180	2.50	315,000	38,625
2026	4.00	230,000	9,200	2.50	375,000	30,750
2027	-	-	-	2.50	415,000	21,375
2028	-	-	-	2.50	440,000	11,000
2029-2033	-	-	-	-	-	-
Total		<u>\$ 640,000</u>	<u>50,760</u>		<u>\$ 1,845,000</u>	<u>147,875</u>

Year Ending June 30,	Issued Nov 5, 2019			Issued Oct 6, 2021		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	2.00%	\$ 260,000	39,000	1.00%	\$ 545,000	44,258
2025	2.00	265,000	33,800	1.00	560,000	38,807
2026	2.00	270,000	28,500	1.00	375,000	33,208
2027	2.00	280,000	23,100	1.00	380,000	29,457
2028	2.00	285,000	17,500	1.00	385,000	25,658
2029-2033	2.00	590,000	17,800	1.00-1.20	2,035,000	68,167
Total		<u>\$ 1,950,000</u>	<u>159,700</u>		<u>\$ 4,280,000</u>	<u>239,555</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2024	\$ 1,305,000	153,763	1,458,763
2025	1,350,000	128,412	1,478,412
2026	1,250,000	101,658	1,351,658
2027	1,075,000	73,932	1,148,932
2028	1,110,000	54,158	1,164,158
2029-2033	2,625,000	85,967	2,710,967
Total	<u>\$ 8,715,000</u>	<u>597,890</u>	<u>9,312,890</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, 2023, the County paid principal of \$9,317 on the loan.

Lease Agreements

On April 14, 2020, the County entered into a lease agreement for three printers for the Sheriff and Information Technology departments. An initial lease liability was recorded in the amount of \$8,210. The agreement requires annual payments of \$4,092 over 4 years with an initial payment made on August 25, 2020 for \$341, with an implicit interest rate of 3.50% and final payment due July 25, 2024. During the year ended June 30, 2023, principal and interest paid were \$3,866 and \$226, respectively.

On November 16, 2021, the County entered into a lease agreement for two printers for the Auditor and Engineer departments. An initial lease liability was recorded in the amount of \$21,263. The agreement requires annual payments of \$6,216 over 4 years with an initial payment made on March 29, 2022 for \$518, with an implicit interest rate of 3.75% and final payment due February 28, 2026. During the year ended June 30, 2023, principal and interest paid were \$5,513 and \$703, respectively.

On May 17, 2022, the County entered into a lease agreement for two printers for the Secondary Roads Shop and Emergency Management department. An initial lease liability was recorded in the amount of \$11,247. The agreement requires annual payments of \$3,108 over 4 years with an initial payment made on October 18, 2022 for \$259, with an implicit interest rate of 5.00% and final payment due September 18, 2026. During the year ended June 30, 2023, principal and interest paid were \$1,941 and \$390, respectively.

On October 19, 2022, the County entered into a lease agreement for two printers for the Recorder and Public Health departments. An initial lease liability was recorded in the amount of \$17,328. The agreement requires annual payments of \$4,020 over 5 years with an initial payment made on January 24, 2023 for \$335, with an implicit interest rate of 6.00% and final payment due December 24, 2027. During the year ended June 30, 2023, principal and interest paid were \$1,509 and \$501, respectively.

On February 14, 2023, the County entered into a lease agreement for five printers for the Treasurer, Assessor, Attorney, Public Health, and Veteran's Affairs departments. An initial lease liability was recorded in the amount of \$61,961. The agreement requires annual payments of \$17,292 over 4 years with an initial payment made on June 30, 2023 for \$1,441, with an implicit interest rate of 5.50% and final payment due May 31, 2027. During the year ended June 30, 2023, principal and interest paid were \$1,157 and \$284, respectively.

Future principal and interest lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Printer - Sheriff and Information Technology			Printer - Auditor & Engineer		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 4,004	88	4,092	\$ 5,723	493	6,216
2025	340	1	341	5,941	275	6,216
2026	-	-	-	4,086	58	4,144
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
Total	\$ 4,344	89	4,433	\$ 15,750	826	16,576

Year Ending June 30,	Printer - Secondary Roads and Emergency Management			Printer - Recorder and Public Health		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 2,704	404	3,108	\$ 3,157	863	4,020
2025	2,843	265	3,108	3,351	669	4,020
2026	2,988	120	3,108	3,558	462	4,020
2027	771	6	777	3,778	242	4,020
2028	-	-	-	1,975	35	2,010
Total	\$ 9,306	795	10,101	\$ 15,819	2,271	18,090

Year Ending June 30,	Printer - Treasurer, Assessor, Attorney, Public Health, and Veteran's Affairs			Total		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 14,305	2,987	17,292	\$ 29,893	4,835	34,728
2025	15,112	2,180	17,292	27,587	3,390	30,977
2026	15,964	1,328	17,292	26,596	1,968	28,564
2027	15,423	427	15,850	19,972	675	20,647
2028	-	-	-	1,975	35	2,010
Total	\$ 60,804	6,922	67,726	\$ 106,023	10,903	116,926

(8) Development and Rebate Agreements

The County has entered into four rebate agreements to assist in urban renewal projects. The agreements require the County to rebate portions of the incremental property tax paid by the developers in exchange for construction of buildings and certain infrastructure improvements by the developers. The agreements also require the developers 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, 2023 was \$14,245,000. During the year, the County rebated \$706,675 of the incremental property tax received. The total amount rebated since the inception of the agreements is \$1,092,040.

(9) 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 2023, 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 8.76% of covered payroll, for a total rate of 17.52%. Protection occupation members contributed 6.21% of covered payroll and the County contributed 9.31% of covered payroll, for a total rate of 15.52%.

The County's contributions to IPERS for the year ended June 30, 2023 totaled \$533,591.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the County reported a liability of \$1,596,613 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 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, 2022, the County's proportion was 0.042259%, which was a decrease of 0.284066% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense of \$136,267. At June 30, 2023, 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	\$ 186,250	29,704
Changes of assumptions	1,740	83,538
Net difference between projected and actual earnings on IPERS' investments	-	269,865
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	41,615	141,348
County contributions subsequent to the measurement date	533,591	-
Total	<u>\$ 763,196</u>	<u>524,455</u>

\$533,591 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, 2024. 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
2024	\$ (280,222)
2025	(218,492)
2026	(391,512)
2027	601,865
2028	(6,489)
Total	<u>\$ (294,850)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.

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%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	<u>100.0%</u>	

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 (Asset) to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability (asset) 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 (asset)	\$ 3,978,682	1,596,613	(499,350)

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, 2023.

(10) 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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	90
Total	96

Total OPEB Liability – The County's total OPEB liability of \$483,050 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2021. The total OPEB liability was rolled forward from the July 1, 2021 valuation date to the June 30, 2023 measurement date.

Actuarial Assumptions – The total OPEB liability in the July 1, 2021 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, 2021)	3.00% per annum.
Discount rate (effective June 30, 2021)	2.37% compounded annually.
Healthcare cost trend rate (effective June 30, 2021)	6.00% per year.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.37% 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, 2021 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	<u>\$ 457,773</u>
Changes for the year:	
Service cost	40,912
Interest	11,587
Differences between expected and actual experiences	(14,002)
Benefit payments	<u>(13,220)</u>
Net changes	<u>25,277</u>
Total OPEB liability end of year	<u>\$ 483,050</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 (1.37%) or 1% higher (3.37%) than the current discount rate.

	1% Decrease (1.37%)	Discount Rate (2.37%)	1% Increase (3.37%)
Total OPEB liability	\$ 534,931	483,050	436,345

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.

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$ 412,126	483,050	568,506

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the County recognized OPEB expense of \$48,304. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79,205	25,991

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
2024	\$ 9,025
2025	9,025
2026	10,155
2027	11,344
2028	11,344
Thereafter	2,321
	<u>\$ 53,214</u>

(11) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 800 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, employment practices liability, public officials liability, cyber liability and law enforcement liability. 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, 2023 were \$265,709.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber, 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 County'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, 2023, no liability has been recorded in the County's financial statements. As of June 30, 2023, 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.

(12) 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, 2023, \$300,367 of property tax was diverted from the County under the County’s urban renewal development agreement.

Tax Abatements of Other Entities

Other entities with the County also provided tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa.

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2023 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Parkersburg	Urban renewal and economic development projects	\$ 74,278

(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, 2023 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 97,883	-	97,883
Quality improvement	-	59,985	59,985
Allocation for administration	5,152	24,222	29,374
Other grant programs	-	403,739	403,739
Total state grants	103,035	487,946	590,981
Interest on investments	606	2,958	3,564
Total revenues	103,641	490,904	594,545
Expenditures:			
Program services:			
Early childhood	100,459	-	100,459
Quality improvement	-	45,477	45,477
Other program services	-	409,676	409,676
Total program services	100,459	455,153	555,612
Administration	4,479	20,124	24,603
Total expenditures	104,938	475,277	580,215
Change in net position	(1,297)	15,627	14,330
Net position beginning of year	20,277	78,293	98,570
Net position end of year	\$ 18,980	93,920	112,900

(14) Emergency Management Agency Bank Note – Direct Borrowing

On January 17, 2020, the Butler County Emergency Management Agency borrowed \$150,000 from a local 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, 2023, the Butler County Emergency Management Agency paid principal of \$8,308 and interest of \$4,764 on the loan.

Details of the Emergency Management Agency Bank Note outstanding at June 30, 2023 are as follows:

Year	Ending June 30,	Interest Rates	Principal	Interest
2024		3.50%	\$ 8,603	4,469
2025		3.50	8,897	4,175
2026		3.50	9,224	3,848
2027		3.50	9,551	3,521
2028		3.50	9,890	3,182
2029-2030		3.50	79,771	5,306
			<u>\$ 125,936</u>	<u>24,501</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 \$6,000 for single coverage and \$4,000 and \$12,000 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, 2023 was \$114,161.

The amounts payable from the Employee Group Health Fund at June 30, 2023 for incurred but not reported (IBNR) and reported but not paid claims has not been determined since the County has not obtained an actuarial opinion. These amounts are not expected to be material to the financial statements.

(16) Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 for employees. The 457 Plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights must be held in trust of the exclusive benefit of plan participants and beneficiaries. These funds are invested and held by Nationwide and do not constitute a liability of the County.

Required Supplementary Information

Butler County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2023

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 9,799,225	10,062,294	10,062,294	(263,069)
Interest and penalty on property tax	35,242	20,700	20,700	14,542
Intergovernmental	6,488,181	7,052,926	8,465,229	(1,977,048)
Licenses and permits	77,671	63,100	63,100	14,571
Charges for service	555,315	572,939	572,939	(17,624)
Use of money and property	444,264	232,636	232,636	211,628
Miscellaneous	773,099	404,440	404,440	368,659
Total receipts	18,172,997	18,409,035	19,821,338	(1,648,341)
Disbursements:				
Public safety and legal services	2,512,943	2,779,281	2,779,281	266,338
Physical health and social services	1,290,343	1,500,201	1,508,701	218,358
County environment and education	1,754,085	2,113,960	2,113,960	359,875
Roads and transportation	6,729,876	6,831,000	6,831,000	101,124
Governmental services to residents	623,470	722,551	732,551	109,081
Administration	1,999,757	2,311,404	2,311,404	311,647
Non-program	-	2,500	2,500	2,500
Debt service	1,429,643	1,429,643	1,429,643	-
Capital projects	4,480,902	5,703,000	7,583,000	3,102,098
Total disbursements	20,821,019	23,393,540	25,292,040	4,471,021
Deficiency of receipts under disbursements	(2,648,022)	(4,984,505)	(5,470,702)	2,822,680
Other financing sources, net	73,480	-	-	73,480
Changes in balances	(2,574,542)	(4,984,505)	(5,470,702)	2,896,160
Balance beginning of year	15,846,329	14,659,587	14,659,587	1,186,742
Balance end of year	\$ 13,271,787	9,675,082	9,188,885	4,082,902

See accompanying independent auditor's report.

Butler County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2023

	<u>Governmental Funds</u>		
	Cash	Accrual	Modified
	Basis	Adjustments	Accrual
			Basis
Revenues	\$ 18,172,997	1,499,015	19,672,012
Expenditures	20,821,019	(134,744)	20,686,275
Net	(2,648,022)	1,633,759	(1,014,263)
Other financing sources, net	73,480	113,892	187,372
Beginning fund balances	15,846,329	(1,715,798)	14,130,531
Ending fund balances	<u>\$ 13,271,787</u>	<u>31,853</u>	<u>13,303,640</u>

See accompanying independent auditor's report.

Butler County

Butler County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2023

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 nine major classes of expenditures known as functions, not by fund. These nine functions are: public safety and legal services, physical health and social services, 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 \$1,898,500. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County 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, 2023, disbursements did not exceed the amounts budgeted by function.

Butler County

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

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

Required Supplementary Information

	2023	2022	2021	2020
County's proportion of the net pension liability (asset)	0.042259%	0.326325% **	0.056004%	0.054039%
County's proportionate share of the net pension liability (asset)	\$ 1,597	(1,127)	3,934	3,129
County's covered payroll	\$ 5,565	5,492	5,370	5,295
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	28.70%	(20.52)%	73.26%	59.09%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	100.81%	82.90%	85.45%

* 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.

** Overall plan net pension asset.

See accompanying independent auditor's report.

2019	2018	2017	2016	2015
0.053300%	0.056700%	0.057930%	0.053469%	0.051171%
3,373	3,777	3,646	2,642	2,029
5,069	4,964	4,924	4,619	4,527
66.54%	76.09%	74.05%	57.20%	44.82%
83.62%	82.21%	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

	2023	2022	2021	2020
Statutorily required contribution	\$ 534	521	520	509
Contributions in relation to the statutorily required contribution	(534)	(521)	(520)	(509)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 5,722	5,565	5,492	5,370
Contributions as a percentage of covered payroll	9.33%	9.36%	9.47%	9.48%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
505	459	451	450	422	415
(505)	(459)	(451)	(450)	(422)	(415)
-	-	-	-	-	-
5,295	5,069	4,964	4,924	4,619	4,527
9.54%	9.06%	9.09%	9.14%	9.14%	9.17%

Butler County

Butler County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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 and Related Ratios

For the Last Six Years
Required Supplementary Information

	2023	2022	2021	2020
Service cost	\$ 40,912	40,912	33,687	33,697
Interest cost	11,587	11,088	13,247	12,490
Difference between expected and actual experiences	(14,002)	(14,395)	(11,068)	(10,758)
Changes in assumptions and other inputs	-	18,937	-	140,293
Benefit payments	(13,220)	(16,818)	(9,454)	(12,879)
Net change in total OPEB liability	25,277	39,724	26,412	162,843
Total OPEB liability beginning of year	457,773	418,049	391,637	228,794
Total OPEB liability end of year	\$ 483,050	457,773	418,049	391,637
Covered-employee payroll	\$ 5,630,428	5,508,989	4,888,544	5,476,233
Total OPEB liability as a percentage of covered-employee payroll	8.6%	8.3%	8.6%	7.2%

See accompanying independent auditor's report.

2019	2018
16,982	16,958
8,838	8,849
(8,778)	(9,833)
-	-
(16,987)	(14,311)
55	1,663
228,739	227,076
228,794	228,739
5,061,214	5,171,127
4.5%	4.4%

Butler County

Notes to Required Supplementary Information – OPEB Liability

Year ended June 30, 2023

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

There were no significant 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, 2023	2.37%
Year ended June 30, 2022	2.37%
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%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Supplementary Information

Butler County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2023

				Special
	Seized and Forfeited Property	Sesqui- centennial Memorial	County Recorder's Records Management	
Assets				
Cash, cash equivalents and pooled investments	\$ 1,930	797	9,938	
Receivables:				
Property tax:				
Delinquent	-	-	-	
Succeeding year property tax	-	-	-	
Opioid settlement	-	-	-	
Total assets	\$ 1,930	797	9,938	
Liabilities, Deferred Inflows of Resources and Fund Balances				
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	-	
Other	-	-	-	
Total deferred inflows of resources	-	-	-	
Fund balances:				
Restricted for:				
Resource enhancement and protection	-	-	-	
Conservation purposes	-	-	-	
Debt service	-	-	-	
Opioid abatement	-	-	-	
Other purposes	1,930	797	9,938	
Total fund balances	1,930	797	9,938	
Total liabilities, deferred inflows of resources and fund balances	\$ 1,930	797	9,938	

See accompanying independent auditor's report.

Revenue							
DARE Program	Canine	Conservation Trust	Resource Enhancement and Protection	Opioid Settlement	Debt Service		Total
1,205	2,008	365,663	18,572	45,573	19,773		465,459
-	-	-	-	-	795		795
-	-	-	-	-	564,000		564,000
-	-	-	-	164,659	-		164,659
1,205	2,008	365,663	18,572	210,232	584,568		1,194,913
-	-	-	-	-	564,000		564,000
-	-	-	-	164,659	795		165,454
-	-	-	-	164,659	564,795		729,454
-	-	-	18,572	-	-		18,572
-	-	365,663	-	-	-		365,663
-	-	-	-	-	19,773		19,773
-	-	-	-	45,573	-		45,573
1,205	2,008	-	-	-	-		15,878
1,205	2,008	365,663	18,572	45,573	19,773		465,459
1,205	2,008	365,663	18,572	210,232	584,568		1,194,913

Butler County

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

Year ended June 30, 2023

	Special		
	Seized and Forfeited Property	Sesqui- centennial Memorial	County Recorder's Records Management
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	-	-
Charges for service	-	-	2,809
Use of money and property	-	12	138
Miscellaneous	-	-	-
Total revenues	-	12	2,947
Expenditures:			
Operating:			
County environment and education	-	-	-
Governmental services to residents	-	-	1,184
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	-	-	1,184
Excess (deficiency) of revenues over (under) expenditures	-	12	1,763
Other financing sources:			
Transfers in	-	-	-
Change in fund balances	-	12	1,763
Fund balances beginning of year	1,930	785	8,175
Fund balances end of year	\$ 1,930	797	9,938

See accompanying independent auditor's report.

Revenue

DARE Program	Canine	Conservation Trust	Resource Enhancement and Protection	Opioid Settlement	Debt Service	Total
-	-	-	-	-	598,213	598,213
-	-	-	10,357	-	44,152	54,509
-	-	-	-	-	-	2,809
-	-	4,527	267	-	2,717	7,661
-	-	155,245	-	38,330	-	193,575
-	-	159,772	10,624	38,330	645,082	856,767
-	-	21,773	2,830	-	-	24,603
-	-	-	-	-	-	1,184
-	-	9,317	-	-	1,429,643	1,438,960
-	-	-	7,500	-	-	7,500
-	-	31,090	10,330	-	1,429,643	1,472,247
-	-	128,682	294	38,330	(784,561)	(615,480)
-	-	-	-	-	793,685	793,685
-	-	128,682	294	38,330	9,124	178,205
1,205	2,008	236,981	18,278	7,243	10,649	287,254
1,205	2,008	365,663	18,572	45,573	19,773	465,459

Butler County
Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2023

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	2,228	570,193	115,553
Other County officials	113,668	-	-	-
Receivables:				
Property tax:				
Delinquent	-	328	764	18,525
Succeeding year	-	222,000	538,000	12,299,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	113,668	224,556	1,108,957	12,433,078
Liabilities				
Accounts payable	-	-	-	-
Salaries and benefits payable	-	-	14,935	-
Due to other governments	14,790	2,228	-	115,553
Trusts payable	98,878	-	-	-
Notes payable	-	-	-	-
Compensated absences	-	-	6,216	-
Total liabilities	113,668	2,228	21,151	115,553
Deferred Inflows of Resources				
Unavailable revenues	-	222,000	538,000	12,299,000
Net Position				
Restricted for individuals, organizations and other governments	\$ -	328	549,806	18,525

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Other	Total
11,026	30,455	3,375	509	546,136	195,705	389,942	1,865,122
-	-	-	-	-	-	-	113,668
1,582	10,634	103	-	-	-	3	31,939
1,203,000	5,016,000	329,000	-	-	-	2,000	19,609,000
-	-	-	-	-	-	9,138	9,138
-	-	-	64,655	-	-	-	64,655
-	-	-	-	-	-	91,336	91,336
1,215,608	5,057,089	332,478	65,164	546,136	195,705	492,419	21,784,858
-	-	-	-	-	55,621	41,084	96,705
-	-	-	-	-	-	3,396	18,331
11,026	30,455	3,375	509	546,136	27,184	20,180	771,436
-	-	-	-	-	-	-	98,878
-	-	-	-	-	-	125,935	125,935
-	-	-	-	-	-	4,830	11,046
11,026	30,455	3,375	509	546,136	82,805	195,425	1,122,331
1,203,000	5,016,000	329,000	-	-	-	2,000	19,609,000
1,582	10,634	103	64,655	-	112,900	294,994	1,053,527

Butler County

Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2023

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools
Additions:				
Property and other county tax	\$ -	226,050	526,382	11,953,840
911 surcharge	-	-	-	-
State tax credits	-	16,548	38,257	764,220
Office fees and collections	445,745	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	205,585	-	-	-
Miscellaneous	-	-	675	-
Total additions	<u>651,330</u>	<u>242,598</u>	<u>565,314</u>	<u>12,718,060</u>
Deductions:				
Agency remittances:				
To other funds	126,850	-	-	-
To other governments	266,227	242,555	494,217	12,715,169
Trusts paid out	<u>258,253</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	<u>651,330</u>	<u>242,555</u>	<u>494,217</u>	<u>12,715,169</u>
Changes in net position	-	43	71,097	2,891
Net position beginning of year	<u>-</u>	<u>285</u>	<u>478,709</u>	<u>15,634</u>
Net position end of year	<u>\$ -</u>	<u>328</u>	<u>549,806</u>	<u>18,525</u>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Other	Total
1,141,749	4,555,458	321,401	-	-	-	98,207	18,823,087
-	-	-	-	-	-	153,506	153,506
72,814	539,335	17,586	-	-	-	168	1,448,928
-	-	-	-	-	-	2,555	448,300
-	-	-	-	6,435,561	-	545	6,436,106
-	-	-	14,443	-	-	1,157	15,600
-	-	-	-	-	-	-	205,585
-	-	-	-	-	594,545	244,928	840,148
1,214,563	5,094,793	338,987	14,443	6,435,561	594,545	501,066	28,371,260
-	-	-	-	213,430	-	-	340,280
1,214,253	5,094,344	338,917	23,976	6,222,131	580,215	502,400	27,694,404
-	-	-	-	-	-	-	258,253
1,214,253	5,094,344	338,917	23,976	6,435,561	580,215	502,400	28,292,937
310	449	70	(9,533)	-	14,330	(1,334)	78,323
1,272	10,185	33	74,188	-	98,570	296,328	975,204
1,582	10,634	103	64,655	-	112,900	294,994	1,053,527

Butler County

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

For the Last Ten Years

	2023	2022	2021	2020
Revenues:				
Property and other county tax	\$ 7,672,544	7,549,181	7,580,475	6,797,190
Tax increment financing	1,329,119	896,162	577,271	445,447
Local option sales tax	790,940	799,138	824,142	550,674
Interest and penalty on property tax	35,241	35,480	51,814	19,116
Intergovernmental	7,997,104	6,722,053	7,719,091	6,976,768
Licenses and permits	79,336	70,166	60,276	66,387
Charges for service	544,396	654,970	603,843	516,596
Use of money and property	444,265	229,055	254,359	299,918
Miscellaneous	779,067	651,742	1,440,277	384,769
Total	\$ 19,672,012	17,607,947	19,111,548	16,056,865
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,502,485	2,431,020	2,440,112	2,330,257
Physical health and social services	1,296,608	1,258,789	1,381,703	1,304,162
Mental health	-	398,052	436,170	587,073
County environment and education	1,766,837	1,317,460	1,791,988	1,471,155
Roads and transportation	6,347,686	5,921,454	6,534,282	6,541,923
Governmental services to residents	627,411	632,531	556,446	563,263
Administration	2,139,930	2,081,525	1,904,826	1,888,369
Non-program	-	-	1,504	-
Debt service	1,438,960	1,811,031	1,021,247	692,364
Capital projects	4,566,358	2,826,501	3,386,512	1,571,110
Total	\$ 20,686,275	18,678,363	19,454,790	16,949,676

* Fiscal years 2014 and 2015 include the mental health activity of County Social Services.

See accompanying independent auditor's report.

2019	2018	2017	2016	2015*	2014*
6,871,500	6,644,511	6,401,959	6,689,100	6,422,005	6,040,620
489,252	453,256	374,851	-	-	-
478,156	452,420	469,745	417,764	517,570	435,912
33,610	31,827	34,389	37,623	44,469	49,954
6,794,981	6,468,274	7,126,988	6,196,378	29,390,297	28,126,789
41,650	44,685	48,168	37,306	37,672	38,434
486,892	497,548	511,258	487,784	462,377	520,783
326,244	349,327	310,778	351,087	386,431	410,827
383,903	476,772	299,251	289,515	387,909	708,110
15,906,188	15,418,620	15,577,387	14,506,557	37,648,730	36,331,429
2,301,550	2,233,353	2,177,752	2,144,575	2,098,923	2,025,585
1,287,662	1,291,648	1,331,837	1,347,304	1,391,917	1,264,472
692,300	640,392	558,741	491,015	26,344,911	21,001,701
2,849,835	797,685	861,562	1,045,147	726,612	726,629
6,461,651	5,965,948	5,409,166	5,021,094	4,961,583	4,812,337
522,539	535,993	582,905	557,884	650,844	505,399
1,710,559	1,830,127	1,638,612	1,542,778	1,677,803	1,550,620
15,450	772	1,396	-	-	-
587,616	705,109	590,740	619,495	544,341	534,736
1,548,497	2,263,375	1,677,951	1,982,515	1,226,381	1,929,672
17,977,659	16,264,402	14,830,662	14,751,807	39,623,315	34,351,151



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

To the Officials of Butler County:

We have audited, in accordance with auditing standards generally accepted in the United States of America 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, 2023, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 20, 2024.

Report on 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 (internal control) as a basis for designing audit procedures that are 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 were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that 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 that a material misstatement of Butler 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 2023-001 and 2023-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that 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 2023-003 and 2023-004 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Butler County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters which 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 Butler County's operations for the year ended June 30, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Butler County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Butler County's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Butler County's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Butler County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Brian R. Brustkern, CPA
Deputy Auditor of State

March 20, 2024

Butler County

Schedule of Findings

Year ended June 30, 2023

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 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) The independent mail opener does not 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, 2023

2023-002 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 payables, capital assets and infrastructure additions were not properly recorded in the County's financial statements. 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 year-end cut-off transactions and capital assets 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, material adjustments to the County's financial statements were necessary.

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

Response – The County Auditor's office will be reviewing the Butler County Capital Assets Policy (last updated 6/30/2004) with Department Heads and Elected Officials to determine where updates are needed and incorporate procedural steps to ensure the timely reporting of both the addition of new capital assets and the removal of disposed capital assets. Timely reporting will ensure the County's capital assets listing is properly maintained.

Conclusion – Response acknowledged. The County should also establish procedures to ensure all payables are identified and properly reported.

2023-003 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 – Sixty-nine receipts totaling \$139,952 for the Sheriff's Office, Veteran's Affairs and the County were not remitted to the County Treasurer's office timely. The receipts were deposited between 21 to 70 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.

Butler County

Schedule of Findings

Year ended June 30, 2023

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

Response – The County Auditor’s office has corrected the PO Box with the State of Iowa to ensure a majority of their checks now have the correct PO Box which has greatly reduced the time State of Iowa checks were being handled to locate the correct recipient. In addition, Empowerment Board checks are now being received through ACH. The County Auditor will work with the Sheriff’s office staff to update procedures and ensure their checks are deposited timely. The County Auditor will also continue to communicate the importance of timely deposits to all applicable Department Heads and Elected Officials.

Conclusion – Response accepted.

2023-004 County Sheriff Commissary Account

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

Condition – Bank to book reconciliations are performed for the commissary account; however, an independent review is not performed.

Cause – Procedures have not been designed and implemented to ensure the commissary account is reviewed by an independent person.

Effect – Lack of independent review 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 for the commissary account are reviewed by an independent person.

Response – For FY24, we will begin doing a bank reconciliation for the Commissary bank account each month and reviewing it.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Butler County

Schedule of Findings

Year ended June 30, 2023

Other Findings Related to Required Statutory Reporting:

2023-A Certified Budget – Disbursements during the year ended June 30, 2023 did not exceed the amounts budgeted.

2023-B 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.

2023-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

2023-D Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Dave Wilken, Father of Elections Deputy, Matt Wilken, Owner of Wilken Welding & Repair	Maintenance and operations repairs	\$ 629

The transactions with Dave Wilken do not appear to represent a conflict of interest in accordance with Chapter 331.342(1)(j) of the Code of Iowa since the total transactions were not more than \$6,000 during the year.

2023-E 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.

2023-F 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.

2023-G Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

2023-H 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.

2023-I Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Butler County

Schedule of Findings

Year ended June 30, 2023

2023-J 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.

2023-K 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 County understated the amount reported as TIF debt outstanding on the Levy Authority Summary.

Recommendation – The County should ensure the TIF debt outstanding reported in the Levy Authority Summary agrees with and is supported by the County’s records.

Response – The County Auditor will update the procedures for calculating rebate payments for the Annual Urban Renewal report to ensure the TIF debt outstanding is accurately reported.

Conclusion – Response accepted.

2023-L Tax Increment Financing (TIF) – Payments from the Special Revenue, Logistics Park Tax Increment Financing (TIF) Fund properly included only payments for TIF loans and rebates. Also, the 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.

2023-M Tax Increment Financing (TIF) – For the year ended June 30, 2023, the County Auditor prepared a reconciliation for each urban renewal area within the County reconciling TIF receipts with total outstanding TIF debt. However, TIF certified and decertified were understated on the reconciliation.

Recommendation – In accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa, the County Auditor is “to provide for the division of taxes in each subsequent year without further certification... until the amount of the loans, advances, indebtedness, or bonds is paid to the special fund”. To assist in meeting this requirement, the County Auditor should ensure certified TIF debt is properly reported on each urban renewal area’s reconciliation.

Response – The County Auditor will work closely with the State Auditor's Office when completing future TIF reconciliation forms to ensure any errors are found and corrected timely.

Conclusion – Response accepted.

Butler County

Staff

This audit was performed by:

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