



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

March 11, 2011

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$20,091,266 for the year ended June 30, 2010, which included \$1,049,468 in tax credits from the state. The County forwarded \$14,866,123 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,225,143 of the local tax revenue to finance County operations, a 2.3% increase over the prior year. Other revenues included charges for service of \$1,106,897, operating grants, contributions and restricted interest of \$5,001,315, capital grants, contributions and restricted interest of \$2,455,830, local option sales tax of \$442,994, unrestricted investment earnings of \$255,300 and other general revenues of \$215,228.

Expenses for County operations totaled \$12,583,605, a 5.8 percent increase over the prior year. Expenses included \$5,338,792 for roads and transportation, \$1,808,696 for public safety and legal services and \$1,426,241 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1010-0012-B00F.pdf>.

###



**BUTLER COUNTY**

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

**JUNE 30, 2010**

## Table of Contents

	<u>Page</u>	
Officials	3	
Independent Auditor’s Report	5-6	
Management’s Discussion and Analysis	7-13	
Basic Financial Statements:		<u>Exhibit</u>
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	25
Notes to Financial Statements		26-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		42
Budget to GAAP Reconciliation		43
Notes to Required Supplementary Information – Budgetary Reporting		44
Schedule of Funding Progress for the Retiree Health Plan		45
Other Supplementary Information:		<u>Schedule</u>
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48-49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	50-51
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	52-53
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	54-55
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	56-57
Schedule of Expenditures of Federal Awards	6	58-59
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		61-62
Independent Auditor’s Report on Compliance with Requirements That Could Have a direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		65-66
Schedule of Findings and Questioned Costs		67-74
Staff		75

**Butler County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ken Oldenburger	Board of Supervisors	Jan 2011
John Zimmerman	Board of Supervisors	Jan 2011
Karl Nelson	Board of Supervisors	Jan 2013
Holly A. Fokkena	County Auditor	Jan 2013
Louise Squires	County Treasurer	Jan 2011
Craig J. Franken	County Recorder	Jan 2011
Jason Johnson	County Sheriff	Jan 2013
Gregory M. Lievens	County Attorney	Jan 2011
Deborah McWhirter	County Assessor	Jan 2016

**Butler County**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

## Independent Auditor's Report

To the Officials of Butler County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Butler County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Butler County at June 30, 2010, and the respective changes in financial position and cash flows, where applicable for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2011 on our consideration of Butler County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Butler County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 28, 2011

---

## **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, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- Governmental activities revenues decreased \$344,227, or 2.29%, from fiscal year 2009 to fiscal year 2010. Operating grants and contributions decreased \$771,311, or 13.36%, property tax increased \$143,404, or 2.98%, capital grants and contributions increased \$406,427, or 19.83%, and charges for service decreased \$113,844, or 9.33%.
- Governmental activities expenses increased \$690,723 from fiscal year 2009 to fiscal year 2010. Roads and transportation expenses decreased \$37,892, county environment and education expenses increased \$493,127, non-program expenses decreased \$160,298, public safety and legal services expenses increased \$127,534, administration expenses increased \$128,763, mental health expenses increased \$11,068 and physical health and social services expenses increased \$92,542.
- Net assets increased 8.29%, or \$2,119,102, from June 30, 2009 to June 30, 2010.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has two kinds of funds:

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Butler County's net assets at June 30, 2010 totaled \$27,696,103. This compares to \$25,577,001 at the end of fiscal year 2009. The analysis that follows focuses on the net assets of governmental activities.

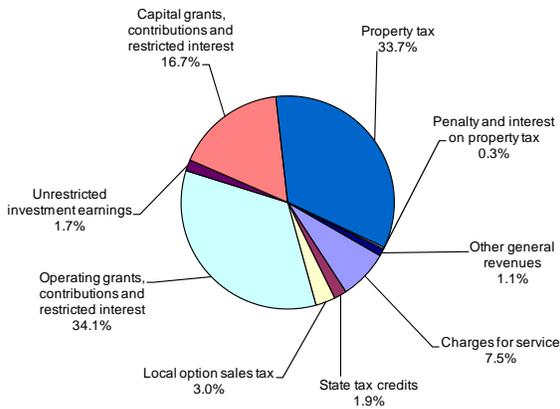
Net Assets of Governmental Activities		
	June 30,	
	2010	2009
Current and other assets	\$ 13,506,311	13,189,118
Capital assets	21,038,135	19,027,103
Total assets	<u>34,544,446</u>	<u>32,216,221</u>
Long-term liabilities	597,924	616,906
Other liabilities	6,250,419	6,022,314
Total liabilities	<u>6,848,343</u>	<u>6,639,220</u>
Net assets:		
Invested in capital assets	21,038,135	19,027,103
Restricted	4,076,849	4,542,652
Unrestricted	2,581,119	2,007,246
Total net assets	<u>\$ 27,696,103</u>	<u>25,577,001</u>

Net assets of Butler County's governmental activities increased approximately \$2.1 million. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are \$2,581,119 at June 30, 2010.

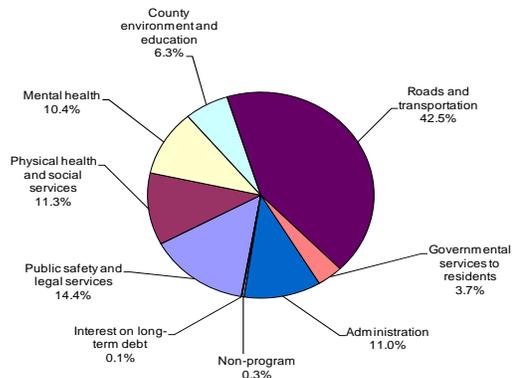
**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2010	2009
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,106,897	1,220,741
Operating grants, contributions and restricted interest	5,001,315	5,772,626
Capital grants, contributions and restricted interest	2,455,830	2,049,403
<b>General revenues:</b>		
Property tax	4,948,897	4,805,493
Penalty and interest on property tax	47,053	36,458
State tax credits	276,246	299,848
Local option sales tax	442,994	480,410
Unrestricted investment earnings	255,300	211,931
Other general revenues	168,175	170,024
<b>Total revenues</b>	<b>14,702,707</b>	<b>15,046,934</b>
<b>Program expenses:</b>		
Public safety and legal services	1,808,696	1,681,162
Physical health and social services	1,426,241	1,333,699
Mental health	1,305,470	1,294,402
County environment and education	797,671	304,544
Roads and transportation	5,338,792	5,376,684
Governmental services to residents	469,880	432,651
Administration	1,386,404	1,257,641
Non-program	39,702	200,000
Interest on long-term debt	10,749	12,099
<b>Total expenses</b>	<b>12,583,605</b>	<b>11,892,882</b>
<b>Increase in net assets</b>	<b>2,119,102</b>	<b>3,154,052</b>
<b>Net assets beginning of year</b>	<b>25,577,001</b>	<b>22,422,949</b>
<b>Net assets end of year</b>	<b>\$ 27,696,103</b>	<b>25,577,001</b>

**Revenues by Source**



**Expenses by Program**



Butler County decreased the General Supplemental tax levy rate \$0.25564 per \$1,000 of taxable valuation. The mental health property tax levy rate decreased \$0.02498 per \$1,000 of taxable valuation. Property tax revenue for fiscal year 2011 is budgeted to increase approximately \$52,000, primarily due to an increase in property valuation.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

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

- The General Fund, the operating fund for Butler County, ended fiscal year 2010 with a fund balance of \$2,702,947. This was a \$520,064 increase from fiscal year 2009, which ended at \$2,182,883, primarily due to a transfer in from the Special Revenue, Conservation Land Acquisition Fund for a dam repair project.
- The Special Revenue, Mental Health Fund balance ended fiscal year 2010 with a fund balance of \$328,349. This was a \$55,417 increase from fiscal year 2009, which ended with a balance of \$272,932.
- The Special Revenue, Rural Services Fund ended fiscal year 2010 with a fund balance of \$606,557, an increase of \$27,365 from the ending balance for fiscal year 2009, which ended with a balance of \$579,192. Transfers to the Special Revenue, Secondary Roads Fund increased \$88,338 over fiscal year 2009.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2010 with a fund balance of \$2,645,678. This is a decrease of \$146,243 from the ending balance for fiscal year 2009, which ended with a balance of \$2,791,921.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Butler County amended its budget two times. The first amendment was made in October 2009 and resulted in an increase in budgeted disbursements of \$90,000, primarily for additional prosecution costs incurred by the County Attorney, increased salary and benefits for Emergency Management, election equipment and tiling of the county farm.

The second amendment occurred in March 2010. This amendment resulted in increased budgeted disbursements of \$719,000, primarily to allow the expenditure of approximately \$674,000 in State reimbursements and miscellaneous grants for secondary roads and public health, as well as additional prosecution costs incurred by the County Attorney.

The County's receipts were \$494,323 more than budgeted, a variance of 4%, due to increases in local option sales tax and state and federal receipts.

Total disbursements were \$1,627,600 less than the amended budget. Capital projects disbursements were \$740,893 less than budgeted due to reduction in anticipated spending for roadway and conservation projects. The remaining decrease of \$886,707 was accomplished by reduced spending in all functional areas.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, Butler County had approximately \$21 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$3 million over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2010	2009
Land	\$ 762,112	762,112
Construction in progress	137,850	886,120
Buildings	193,988	203,779
Improvements other than buildings	38,114	-
Equipment and vehicles	3,861,334	4,096,058
Infrastructure	16,044,737	13,079,034
Total	<u>\$ 21,038,135</u>	<u>19,027,103</u>

This year's major additions included:

Capital assets contributed by the Iowa Department of Transportation	\$ 2,444,029
Purchase of motorgrader, excavator and trailer for Secondary Roads	382,955
Purchase of two vehicles for Sheriff's department	43,163
County farm tiling	39,702
Greene Dam construction	275,120
Courthouse window replacement	38,000
Total	<u>\$ 3,222,969</u>

The County had depreciation expense in fiscal year 2010 of \$1,321,632 and total accumulated depreciation of approximately \$9.9 million at June 30, 2010. The County's fiscal year 2010 capital projects amended budget included \$1,375,000 for capital projects, principally for the completion of a county conservation bike trail and several bridge projects. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2010, Butler County had \$204,366 in outstanding general obligation capital loan notes, compared to \$232,212 at June 30, 2009.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Butler County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$49 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

Butler County's officials considered many factors when setting the fiscal year 2011 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County for fiscal year 2010 (July 1, 2009 to June 30, 2010) was 6.74%. While this was a slight decrease from last year, it remains substantially higher than past years, such as 4.41% in fiscal year 2006.

Butler County's unemployment rate was slightly lower than the State's unemployment rate of 6.57%, but well below the national rate of 9.74% for the same period.

For this budget year, the item of most concern remained the ever increasing costs of health insurance for employees, as well as salaries. All non-union employees were given a zero increase in salary, due mostly to the announcement of a negative cost of living factor for 2009.

The fiscal year 2011 budgeted receipts increased \$23,096,545 over fiscal year 2010 actuals, due substantially to the County becoming the fiscal agent for County Social Services (a joint venture for administering mental health and disability services for Black Hawk, Butler, Cerro Gordo, Floyd and Mitchell counties.)

If the budget estimates are realized, the County's fund balances are expected to decrease approximately \$1.2 million at the close of fiscal year 2011. This decrease would mainly be for the completion of major projects for secondary roads and conservation.

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

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

**Butler County**

## **Basic Financial Statements**

**Exhibit A**

Butler County  
Statement of Net Assets  
June 30, 2010

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 6,857,673
Receivables:	
Property tax:	
Delinquent	22,455
Succeeding year	5,091,000
Interest and penalty on property tax	81,346
Accounts	19,948
Economic development loans	77,489
E911 lease	204,366
Due from other governments	603,799
Inventories	369,621
Prepaid insurance	178,614
Capital assets (net of accumulated depreciation)	<u>21,038,135</u>
<b>Total assets</b>	<u>34,544,446</u>
<b>Liabilities</b>	
Accounts payable	808,308
Salaries and benefits payable	124,342
Accrued interest payable	2,548
Due to other governments	224,221
Deferred revenue:	
Succeeding year property tax	5,091,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital loan notes	29,264
Compensated absences	308,314
Portion due or payable after one year:	
Capital loan notes	175,102
Compensated absences	53,660
Net OPEB liability	<u>31,584</u>
<b>Total liabilities</b>	<u>6,848,343</u>
<b>Net Assets</b>	
Invested in capital assets	21,038,135
Restricted for:	
Supplemental levy purposes	223,901
Mental health purposes	330,041
Secondary roads purposes	2,569,291
Other purposes	953,616
Unrestricted	<u>2,581,119</u>
<b>Total net assets</b>	<u>\$ 27,696,103</u>

See notes to financial statements.

Butler County  
Statement of Activities  
Year ended June 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,808,696	177,276	28,405	4,000	(1,599,015)
Physical health and social services	1,426,241	550,444	669,333	-	(206,464)
Mental health	1,305,470	13,434	963,157	-	(328,879)
County environment and education	797,671	49,229	110,502	-	(637,940)
Roads and transportation	5,338,792	53,967	3,114,183	2,451,830	281,188
Governmental services to residents	469,880	242,819	27,053	-	(200,008)
Administration	1,386,404	19,728	88,682	-	(1,277,994)
Non-program	39,702	-	-	-	(39,702)
Interest on long-term debt	10,749	-	-	-	(10,749)
<b>Total</b>	<b>\$ 12,583,605</b>	<b>1,106,897</b>	<b>5,001,315</b>	<b>2,455,830</b>	<b>(4,019,563)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					4,948,897
Penalty and interest on property tax					47,053
State tax credits					276,246
Local option sales tax					442,994
Unrestricted investment earnings					255,300
Miscellaneous					168,175
<b>Total general revenues</b>					<b>6,138,665</b>
Change in net assets					2,119,102
Net assets beginning of year					25,577,001
Net assets end of year					<b>\$ 27,696,103</b>

See notes to financial statements.

Butler County  
Balance Sheet  
Governmental Funds

June 30, 2010

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 2,391,216	669,563	602,064
Receivables:			
Property tax:			
Delinquent	13,769	1,692	6,994
Succeeding year	2,998,000	372,000	1,721,000
Interest and penalty on property tax	81,346	-	-
Accounts	14,335	-	-
Economic development loans	-	-	-
E911 lease	204,366	-	-
Due from other governments	204,224	295	14,375
Inventories	-	-	-
Prepaid insurance	95,450	-	-
	<b>\$ 6,002,706</b>	<b>1,043,550</b>	<b>2,344,433</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 117,332	143,644	723
Salaries and benefits payable	72,254	122	7,374
Due to other governments	17,058	197,743	1,785
Deferred revenue:			
Succeeding year property tax	2,998,000	372,000	1,721,000
Other	95,115	1,692	6,994
Total liabilities	<b>3,299,759</b>	<b>715,201</b>	<b>1,737,876</b>
Fund balances:			
Reserved for:			
Supplemental levy purposes	222,026	-	-
E911 lease receivable	204,366	-	-
Unreserved:			
Undesignated, reported in:			
General fund	2,276,555	-	-
Special revenue funds	-	328,349	606,557
Total fund balances	<b>2,702,947</b>	<b>328,349</b>	<b>606,557</b>
	<b>\$ 6,002,706</b>	<b>1,043,550</b>	<b>2,344,433</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
2,597,434	597,396	6,857,673
-	-	22,455
-	-	5,091,000
-	-	81,346
5,475	138	19,948
-	77,489	77,489
-	-	204,366
310,135	74,770	603,799
369,621	-	369,621
83,164	-	178,614
<u>3,365,829</u>	<u>749,793</u>	<u>13,506,311</u>
546,609	-	808,308
44,049	543	124,342
7,635	-	224,221
-	-	5,091,000
121,858	192,976	418,635
<u>720,151</u>	<u>193,519</u>	<u>6,666,506</u>
-	-	222,026
-	-	204,366
-	-	2,276,555
<u>2,645,678</u>	<u>556,274</u>	<u>4,136,858</u>
<u>2,645,678</u>	<u>556,274</u>	<u>6,839,805</u>
<u>3,365,829</u>	<u>749,793</u>	<u>13,506,311</u>

**Butler County**

Butler County

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

June 30, 2010

**Total governmental fund balances (page 19)** \$ 6,839,805

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$30,914,807 and the accumulated depreciation is \$9,876,672. 21,038,135

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 418,635

Long-term liabilities, including capital loan notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (600,472)

**Net assets of governmental activities (page 16)** \$ 27,696,103

See notes to financial statements.

Butler County

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

Year ended June 30, 2010

	Special Revenue		
	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 2,957,417	363,349	1,595,482
Local option sales tax	-	-	221,497
Interest and penalty on property tax	47,053	-	-
Intergovernmental	1,284,460	984,100	208,982
Licenses and permits	8,875	-	1,690
Charges for service	451,398	13,438	1,051
Use of money and property	372,805	-	-
Miscellaneous	151,236	-	-
Total revenues	5,273,244	1,360,887	2,028,702
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	1,377,797	-	385,007
Physical health and social services	1,423,468	-	-
Mental health	-	1,305,470	-
County environment and education	314,095	-	284,757
Roads and transportation	-	-	50,071
Governmental services to residents	435,385	-	9,426
Administration	1,351,304	-	-
Non-program	39,702	-	-
Debt service	38,942	-	-
Capital projects	38,000	-	-
Total expenditures	5,018,693	1,305,470	729,261
Excess (deficiency) of revenues over (under) expenditures	254,551	55,417	1,299,441
<b>Other financing sources (uses):</b>			
Sale of capital assets	3,694	-	-
Operating transfers in	325,000	-	-
Operating transfers out	(63,181)	-	(1,272,076)
Total other financing sources (uses)	265,513	-	(1,272,076)
Net change in fund balances	520,064	55,417	27,365
Fund balances beginning of year	2,182,883	272,932	579,192
Fund balances end of year	\$ 2,702,947	328,349	606,557

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	-	4,916,248
221,497	-	442,994
-	-	47,053
3,196,668	123,495	5,797,705
5,000	-	15,565
11,665	3,837	481,389
2,720	38,066	413,591
47,125	43,084	241,445
3,484,675	208,482	12,355,990
-	-	1,762,804
-	-	1,423,468
-	-	1,305,470
-	73,046	671,898
4,401,759	-	4,451,830
-	2,132	446,943
-	-	1,351,304
-	-	39,702
-	-	38,942
502,415	102,795	643,210
4,904,174	177,973	12,135,571
(1,419,499)	30,509	220,419
1,180	-	4,874
1,272,076	63,181	1,660,257
-	(325,000)	(1,660,257)
1,273,256	(261,819)	4,874
(146,243)	(231,310)	225,293
2,791,921	787,584	6,614,512
2,645,678	556,274	6,839,805

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, 2010

**Net change in fund balances - Total governmental funds (page 23)** \$ 225,293

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

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

Expenditures for capital assets	\$ 859,145	
Capital assets contributed by the Iowa Department of Transportation	2,444,029	
Depreciation expense	(1,321,632)	1,981,542

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 29,490

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

Property tax	6,236	
Other	(142,788)	(136,552)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment decreases long-term liabilities in the Statement of Net Assets. 27,846

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	22,720	
Other postemployment benefits	(31,584)	
Interest on long-term debt	347	(8,517)

**Change in net assets of governmental activities (page 17)** \$ 2,119,102

See notes to financial statements.

Butler County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2010

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 5,376,370
Other county officials	104,588
Receivables:	
Property tax:	
Delinquent	58,519
Succeeding year	14,151,000
Accounts	12,256
Accrued Interest	6,480
Special assessments	92,917
Due from other governments	3
<b>Total assets</b>	<b>19,802,133</b>

**Liabilities**

Accounts payable	37,578
Salaries and benefits payable	6,806
Due to other governments	19,645,892
Trusts payable	104,375
Compensated absences	7,482
<b>Total liabilities</b>	<b>19,802,133</b>

<b>Net assets</b>	\$ -
-------------------	------

See notes to financial statements.

Butler County

Notes to Financial Statements

June 30, 2010

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

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but

the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Conservation Land Acquisition	\$ 325,000
Special Revenue: Secondary Roads	Special Revenue: Rural Services	1,272,076
Conservation Land Acquisition	General	63,181
<b>Total</b>		<b>\$ 1,660,257</b>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 762,112	-	-	762,112
Construction in progress	275,120	38,000	(275,120)	38,000
Construction in progress, road network	611,000	2,776,837	(3,287,987)	99,850
Total capital assets not being depreciated	1,648,232	2,814,837	(3,563,107)	899,962
Capital assets being depreciated:				
Buildings	1,984,195	-	-	1,984,195
Improvements other than buildings	-	39,702	-	39,702
Equipment and vehicles	9,536,140	426,118	(496,718)	9,465,540
Infrastructure, road network	13,750,163	3,341,004	-	17,091,167
Infrastructure, other	1,159,121	275,120	-	1,434,241
Total capital assets being depreciated	26,429,619	4,081,944	(496,718)	30,014,845
Less accumulated depreciation for:				
Buildings	1,780,416	9,791	-	1,790,207
Improvements other than buildings	-	1,588	-	1,588
Equipment and vehicles	5,440,082	659,832	(495,708)	5,604,206
Infrastructure, road network	1,741,193	622,008	-	2,363,201
Infrastructure, other	89,057	28,413	-	117,470
Total accumulated depreciation	9,050,748	1,321,632	(495,708)	9,876,672
Total capital assets being depreciated, net	17,378,871	2,760,312	(1,010)	20,138,173
Governmental activities capital assets, net	\$ 19,027,103	5,575,149	(3,564,117)	21,038,135

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 66,962
County environment and education	50,021
Roads and transportation	1,152,436
Governmental services to residents	15,831
Administration	36,382
Total depreciation expense - governmental activities	<u>\$ 1,321,632</u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 17,058
Special Revenue:		
Mental Health	Services	197,743
Rural Services	Services	1,785
Secondary Roads	Services	7,635
		<u>207,163</u>
Total for governmental funds		<u>\$ 224,221</u>
Agency:		
County Agricultural Extension	Collections	\$ 138,287
County Assessor	Collections	444,162
County Social Services	Collections	4,342,001
Schools	Collections	9,408,604
Community Colleges	Collections	606,343
Corporations	Collections	3,651,581
Townships	Collections	231,612
City Special Assessments	Collections	97,862
Auto License and Use Tax	Collections	343,657
Empowerment Board	Collections	205,891
Empowerment Board - ARRA	Collections	29,840
All other	Collections	146,052
Total for agency funds		<u>\$ 19,645,892</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	General Obligation Capital Loan Notes	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 232,212	384,694	-	616,906
Increases	-	429,684	31,584	461,268
Decreases	27,846	452,404	-	480,250
Balance end of year	<u>\$ 204,366</u>	<u>361,974</u>	<u>31,584</u>	<u>597,924</u>
Due within one year	<u>\$ 29,264</u>	<u>308,314</u>	<u>-</u>	<u>337,578</u>

General Obligation Capital Loan Notes

General obligation capital loan notes totaling \$390,000 were issued on December 3, 2001 for the purpose of paying the costs of acquiring replacement equipment for use by the Butler County E911 Service Board. The notes are to be paid from the General Fund in

quarterly payments of \$9,735, including interest of 5% per annum. The final payment is payable on May 1, 2016. The principal balance of the notes at June 30, 2010 totaled \$204,366.

**(7) E911 Lease Receivable**

The County entered into a lease agreement with the E911 Service Board. Under the agreement, the E911 Service Board is to make quarterly payments of \$9,735 to the County, an amount equal to the quarterly payment required on the capital loan notes, as detailed in Note 6 of the Notes to Financial Statements. The quarterly principal and interest payments from the E911 Service Board are credited to the General Fund. The following is a schedule of the future minimum lease payments to be received by the County, including interest of 5% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2010.

Year ending June 30,	Total
2011	\$ 38,941
2012	38,941
2013	38,941
2014	38,941
2015	41,523
2016	41,523
Total minimum lease payments	<u>238,810</u>
Less amount representing interest	<u>(34,444)</u>
Present value of net minimum lease payments	<u>\$ 204,366</u>

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

The County has nineteen economic development loans receivable totaling \$77,489 at June 30, 2010 due from businesses located in Butler County. The loans were made to the businesses to promote economic development.

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

**(9) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$297,344, \$272,385 and \$248,193, respectively, equal to the required contributions for each year.

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

Plan Description. The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 91 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 58,447
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>58,447</u>
Contributions made	<u>(2,624)</u>
Increase in net OPEB obligation	55,823
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 55,823</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$2,624 to the medical plan. Plan members eligible for benefits contributed \$13,577, or 83.8% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 58,447	4.5%	\$ 55,823

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$576,314, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$576,314. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,345,000 and the ratio of the UAAL to covered payroll was 13%. As of June 30, 2010, there were no trust fund assets.

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

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

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

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

Projected claim costs of the health plan are \$367 to \$1,248 per month for retirees less than age 65. Benefits are not related to salary levels. The UAAL is being amortized as a level dollar cost over 30 years.

## **(11) Risk Management**

The County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/ machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2010 were \$163,160.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$80,000 respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

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

Payments to the Self Insurance account were recorded as expenditures by the operating funds. Payments to R.D. Drenkow & Co., Inc. for service fees and medical claims for the year ended June 30, 2010 were \$42,854.

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

The County is a member of County Social Services (CSS), a consortium established in accordance with the provisions of Chapters 28E and 331.440(3) of the Code of Iowa for the purpose of administering mental health and disability services for its member counties. The member counties are Black Hawk, Butler, Cerro Gordo, Floyd and Mitchell. Pursuant to the consortium agreement, Butler County is the operating agency. Each member county is represented on the consortium board which is responsible for administering the consortium.

During the year ended June 30, 2010, CSS drew down available state and federal dollars and returned a portion to the member counties. Because the fiscal agent agreement was not fully effective until July 1, 2010, the financial activity for the year ended June 30, 2010 was reported in an Agency Fund of the County.

A summary of the financial activity for CSS as of and for the year ended June 30, 2010 is as follows:

Additions:	
State of Iowa	\$ 8,532,001
Deductions:	
Payments to member counties	<u>(4,190,000)</u>
Net	4,342,001
Balance beginning of year	<u>-</u>
Balance end of year	<u><u>\$ 4,342,001</u></u>

Effective July 1, 2010, the County fully assumed the role of fiscal agent for CSS. For future years, all revenues and expenditures for mental health and disability services for the member counties will be combined and accounted for on the modified accrual basis of accounting by the County in its Special Revenue, Mental Health Fund. The County also approved the overall budget for CSS. Revenues and expenditures are not maintained separately by member counties.

**(14) Financial Assurance**

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

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Association in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care of the Association as of June 30, 2010 are \$3,182,100 and the County's financial assurance obligation amount is \$567,490.

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

**(15) Loan Guaranty Agreement**

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

Chapter 15A of the Code of Iowa authorizes counties to provide financial assistance, including guarantees for economic development as may be necessary.

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

**(16) Construction Commitment**

The County has entered into a contract totaling \$315,132 for bridge construction. As of June 30, 2010, costs of \$99,850 on the project have been incurred. The balance of \$215,282 remaining on the contract at June 30, 2010 will be paid as work on the project progresses.

The County has also entered into a contract totaling \$111,500 for Courthouse window replacement. As of June 30, 2010, costs of \$38,000 on the project have been incurred. The \$73,500 balance remaining on the project at June 30, 2010 will be paid as work on the project progresses.

**(17) Subsequent Event**

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	0.85%	\$ -	38,430	38,430
2012	1.10	135,000	54,042	189,042
2013	1.40	135,000	52,895	187,895
2014	1.60	140,000	51,410	191,410
2015	1.80	140,000	49,450	189,450
2016-2020	2.10-2.80	755,000	205,245	960,245
2021-2025	3.00-3.50	895,000	92,936	987,936
Total		\$ 2,200,000	544,408	2,744,408

**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, 2010

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
<b>Receipts:</b>				
Property and other county tax	\$ 5,430,742	4,814,039	5,358,935	71,807
Interest and penalty on property tax	47,053	8,000	8,000	39,053
Intergovernmental	6,414,400	6,118,837	6,247,941	166,459
Licenses and permits	14,965	12,500	12,500	2,465
Charges for service	490,279	456,245	456,245	34,034
Use of money and property	433,838	317,426	317,426	116,412
Miscellaneous	260,365	196,272	196,272	64,093
Total receipts	<u>13,091,642</u>	<u>11,923,319</u>	<u>12,597,319</u>	<u>494,323</u>
<b>Disbursements:</b>				
Public safety and legal services	1,777,192	1,797,567	1,882,567	105,375
Physical health and social services	1,438,501	1,458,006	1,632,006	193,505
Mental health	1,143,541	1,428,870	1,428,870	285,329
County environment and education	694,553	742,424	742,424	47,871
Roads and transportation	4,569,312	4,310,000	4,710,000	140,688
Governmental services to residents	449,528	454,196	464,196	14,668
Administration	1,305,420	1,394,393	1,394,393	88,973
Non-program	39,702	10,000	50,000	10,298
Debt service	38,942	38,942	38,942	-
Capital projects	634,107	1,275,000	1,375,000	740,893
Total disbursements	<u>12,090,798</u>	<u>12,909,398</u>	<u>13,718,398</u>	<u>1,627,600</u>
Excess (deficiency) of receipts over (under) disbursements	1,000,844	(986,079)	(1,121,079)	2,121,923
Other financing sources, net	4,874	-	-	4,874
Balance beginning of year	<u>5,851,955</u>	<u>5,327,791</u>	<u>5,327,791</u>	<u>524,164</u>
Balance end of year	<u>\$ 6,857,673</u>	<u>4,341,712</u>	<u>4,206,712</u>	<u>2,650,961</u>

See accompanying independent auditor's report.

Butler County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,091,642	(735,652)	12,355,990
Expenditures	12,090,798	44,773	12,135,571
Net	1,000,844	(780,425)	220,419
Other financing sources, net	4,874	-	4,874
Beginning fund balances	5,851,955	762,557	6,614,512
Ending fund balances	\$ 6,857,673	(17,868)	6,839,805

See accompanying independent auditor's report.

Butler County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$809,000. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted or the amounts appropriated.

---

Butler County

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

Required Supplementary Information

---

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 576	576	0.00%	\$ 4,345	13.3%

---

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

**Butler County**

---

**Other Supplementary Information**

Butler County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

	Economic Development Revolving Loan	Sheriff's Commissary and Telephone	Seized and Forfeited Property	Sesquicentennial Memorial
<b>Assets</b>				
Cash and pooled investments	\$ 100,044	8,664	4,417	718
Receivables:				
Accounts	-	138	-	-
Economic development loans	77,489	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 177,533</b>	<b>8,802</b>	<b>4,417</b>	<b>718</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Salaries and benefits payable	\$ -	-	-	-
Deferred revenue	77,489	-	-	-
Total liabilities	77,489	-	-	-
Fund equity:				
Fund balances:				
Unrestricted	100,044	8,802	4,417	718
<b>Total liabilities and fund equity</b>	<b>\$ 177,533</b>	<b>8,802</b>	<b>4,417</b>	<b>718</b>

See accompanying independent auditor's report.

Special Revenue				
County Recorder's Records Management	Conservation Land Acquisition	Conservation Trust	Resource Enhancement and Protection	Total
28,018	188,616	166,509	100,410	597,396
-	-	-	-	138
-	-	-	-	77,489
-	74,089	681	-	74,770
28,018	262,705	167,190	100,410	749,793
-	-	-	543	543
-	115,487	-	-	192,976
-	115,487	-	543	193,519
28,018	147,218	167,190	99,867	556,274
28,018	262,705	167,190	100,410	749,793

Butler County

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

Year ended June 30, 2010

	Economic Development Revolving Loan	Sheriff's Commissary and Telephone	Seized and Forfeited Property	Sesquicentennial Memorial
Revenues:				
Intergovernmental	\$ -	-	-	13
Charges for service	-	-	-	-
Use of money and property	31,987	832	-	-
Miscellaneous	-	-	-	-
Total revenues	31,987	832	-	13
Expenditures:				
Operating:				
County environment and education	64,246	-	-	-
Governmental services to residents	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	64,246	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(32,259)	832	-	13
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(32,259)	832	-	13
Fund balances beginning of year	132,303	7,970	4,417	705
Fund balances end of year	\$ 100,044	8,802	4,417	718

See accompanying independent auditor's report.

Special Revenue				
County Recorder's Records Management	Conservation Land Acquisition	Conservation Trust	Resource Enhancement and Protection	Total
-	95,615	11,317	16,550	123,495
3,837	-	-	-	3,837
504	-	2,863	1,880	38,066
-	18,024	25,060	-	43,084
4,341	113,639	39,240	18,430	208,482
-	-	2,817	5,983	73,046
2,132	-	-	-	2,132
-	95,800	-	6,995	102,795
2,132	95,800	2,817	12,978	177,973
2,209	17,839	36,423	5,452	30,509
-	63,181	-	-	63,181
-	(325,000)	-	-	(325,000)
-	(261,819)	-	-	(261,819)
2,209	(243,980)	36,423	5,452	(231,310)
25,809	391,198	130,767	94,415	787,584
28,018	147,218	167,190	99,867	556,274

Butler County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	County Social Services	Schools
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,672	153,111	4,335,694	111,498
Other County officials	104,588	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	615	1,384	-	41,106
Succeeding year	-	136,000	338,000	-	9,256,000
Accounts	-	-	-	-	-
Accrued Interest	-	-	-	6,307	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 104,588</b>	<b>138,287</b>	<b>492,495</b>	<b>4,342,001</b>	<b>9,408,604</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	35,679	-	-
Salaries and benefits payable	-	-	5,676	-	-
Due to other governments	213	138,287	444,162	4,342,001	9,408,604
Trusts payable	104,375	-	-	-	-
Compensated absences	-	-	6,978	-	-
<b>Total liabilities</b>	<b>\$ 104,588</b>	<b>138,287</b>	<b>492,495</b>	<b>4,342,001</b>	<b>9,408,604</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Empowerment Board -ARRA	Other	Total
6,710	45,724	2,716	4,945	343,657	206,149	29,667	134,827	5,376,370
-	-	-	-	-	-	-	-	104,588
2,633	11,857	896	-	-	-	-	28	58,519
597,000	3,594,000	228,000	-	-	-	-	2,000	14,151,000
-	-	-	-	-	-	-	12,256	12,256
-	-	-	-	-	-	173	-	6,480
-	-	-	92,917	-	-	-	-	92,917
-	-	-	-	-	3	-	-	3
606,343	3,651,581	231,612	97,862	343,657	206,152	29,840	149,111	19,802,133
-	-	-	-	-	261	-	1,638	37,578
-	-	-	-	-	-	-	1,130	6,806
606,343	3,651,581	231,612	97,862	343,657	205,891	29,840	145,839	19,645,892
-	-	-	-	-	-	-	-	104,375
-	-	-	-	-	-	-	504	7,482
606,343	3,651,581	231,612	97,862	343,657	206,152	29,840	149,111	19,802,133

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

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	County Social Services	Schools
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 89,772	134,945	436,286	-	8,873,948
Additions:					
Property and other county tax	-	135,999	336,938	-	9,233,465
E911 surcharge	-	-	-	-	-
State tax credits	-	7,618	17,136	-	504,596
Office fees and collections	184,610	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	351,564	-	-	-	-
Miscellaneous	-	-	805	8,532,001	-
Total additions	536,174	143,617	354,879	8,532,001	9,738,061
Deductions:					
Agency remittances:					
To other funds	153,067	-	-	-	-
To other governments	215,521	140,275	298,670	4,190,000	9,203,405
Trusts paid out	152,770	-	-	-	-
Total deductions	521,358	140,275	298,670	4,190,000	9,203,405
Balances end of year	\$ 104,588	138,287	492,495	4,342,001	9,408,604

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Empowerment Board-ARRA	Other	Total
540,483	3,581,168	216,703	125,396	313,126	249,446	-	130,573	14,691,846
595,508	3,562,351	228,640	-	-	-	-	-	14,092,901
-	-	-	-	-	-	-	100,648	100,648
29,871	201,562	11,384	954	-	-	-	101	773,222
-	-	-	-	-	-	-	1,951	186,561
-	-	-	-	3,963,030	-	-	-	3,963,030
-	-	-	14,672	-	-	-	-	14,672
-	-	-	-	-	-	-	-	351,564
-	-	-	-	-	673,761	29,840	171,521	9,407,928
625,379	3,763,913	240,024	15,626	3,963,030	673,761	29,840	274,221	28,890,526
-	-	-	-	147,265	-	-	-	300,332
559,519	3,693,500	225,115	43,160	3,785,234	717,055	-	255,683	23,327,137
-	-	-	-	-	-	-	-	152,770
559,519	3,693,500	225,115	43,160	3,932,499	717,055	-	255,683	23,780,239
606,343	3,651,581	231,612	97,862	343,657	206,152	29,840	149,111	19,802,133

Butler County

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

For the Last Ten Years

	2010	2009	2008	Modified 2007
<b>Revenues:</b>				
Property and other county tax	\$ 4,916,248	4,799,419	4,251,927	3,743,826
Local option sales tax	442,994	480,410	484,244	400,484
Interest and penalty on property tax	47,053	36,458	32,746	31,670
Intergovernmental	5,797,705	7,530,529	6,125,937	5,382,914
Licenses and permits	15,565	15,653	14,649	9,635
Charges for service	481,389	453,012	464,111	454,952
Use of money and property	413,591	383,842	446,133	401,199
Miscellaneous	241,445	301,275	339,052	233,974
<b>Total</b>	<b>\$ 12,355,990</b>	<b>14,000,598</b>	<b>12,158,799</b>	<b>10,658,654</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,762,804	1,666,888	1,578,721	1,510,726
Physical health and social services	1,423,468	1,329,711	1,354,701	1,384,986
Mental health	1,305,470	1,294,403	1,411,156	1,446,563
County environment and education	671,898	686,139	664,791	616,714
Roads and transportation	4,451,830	5,245,618	4,028,374	3,970,296
Governmental services to residents	446,943	414,465	389,465	386,920
Administration	1,351,304	1,210,085	1,232,630	1,142,270
Non-program	39,702	200,000	7,017	7,018
Debt service	38,942	38,941	38,941	38,941
Capital projects	643,210	2,019,732	977,440	725,176
<b>Total</b>	<b>\$ 12,135,571</b>	<b>14,105,982</b>	<b>11,683,236</b>	<b>11,229,610</b>

See accompanying independent auditor's report.

Accrual Basis					
2006	2005	2004	2003	2002	2001
3,561,583	3,464,513	3,864,259	3,679,412	3,810,127	3,663,111
361,660	355,695	359,123	281,830	292,752	311,276
31,023	34,668	41,696	35,204	39,466	40,118
5,374,120	5,316,619	5,088,430	5,847,451	5,469,286	5,360,586
12,145	11,565	15,943	6,510	6,230	5,140
472,080	435,257	498,244	452,385	410,082	352,713
320,098	257,798	265,270	304,188	345,162	480,185
224,330	293,094	189,405	261,049	126,284	108,295
10,357,039	10,169,209	10,322,370	10,868,029	10,499,389	10,321,424
1,425,712	1,382,591	1,268,846	1,263,978	1,112,635	1,046,865
1,383,611	1,184,164	1,153,795	1,236,351	1,174,052	1,096,568
1,285,834	1,165,030	1,114,860	1,114,443	1,093,461	1,082,024
624,155	561,758	588,832	1,306,388	746,221	505,722
3,975,554	3,747,559	3,559,552	3,636,570	3,437,410	3,757,953
447,203	450,844	269,112	245,312	237,434	195,727
1,103,411	1,099,842	1,287,024	1,241,945	1,174,029	1,064,626
-	60	-	832	-	342
69,658	49,334	37,413	45,052	7,880	2,880
936,339	512,391	1,440,397	754,202	1,041,571	639,672
11,251,477	10,153,573	10,719,831	10,845,073	10,024,693	9,392,379

**Schedule 6**

Butler County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture: Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for Supplemental Nutrition Assistance	10.561		\$ 12,976
U.S. Department of Justice: Iowa Department of Public Health: Tobacco Surveillance Grant	16.000		1,750
U.S. Department of Transportation: Iowa Department of Public Defense: Iowa Homeland Security and Emergency Management Division: Interagency Hazardous Materials Public Safety Training and Planning Grants	20.703		69,705
Iowa Treasurer of State: ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A090016A	29,971
U.S. Department of Health and Human Services: Iowa Department of Human Services: Public Health Emergency Preparedness	93.069	5880BT202	94,635
Public Health Emergency Preparedness	93.069	5880BT12	50,846
Hancock County Nursing Services: Public Health Emergency Preparedness	93.069	BT09003	12,174
			<u>157,655</u>
North Iowa Community Action Organization: Advancing System Improvements to Support Targets for Healthy People 2010	93.088		7,250
U.S. Department of Health and Human Services: Iowa Department of Public Health: Immunization Grants	93.268	5889I410	4,195
Center for Disease Control and Prevention Investigations and Technical and Technical Assistance	93.283	5880NB03	11,070

Butler County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2010

Grantor/Program	Number	Number	Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		6,260
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,405
Foster Care - Title IV-E	93.658		6,879
Refugee and Entrant Assistance_State Administered Programs	93.566		37
Adoption Assistance	93.659		1,725
Children's Health Insurance Program	93.767		76
Medical Assistance Program	93.778		14,581
Social Services Block Grant	93.667		6,751
Social Services Block Grant	93.667		1,089,055
			<u>1,095,806</u>
National Bioterrorism Hospital Preparedness Program	93.889	5887EM105	7,500
National Bioterrorism Hospital Preparedness Program	93.889	5887EM210	10,000
			<u>17,500</u>
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1763 DR IA	208,576
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1930 DR IA	23,591
			<u>232,167</u>
Emergency Management Performance Grants	97.042		45,290
Total			<u>\$ 1,718,298</u>

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

See accompanying independent auditor's report.

**Butler County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of Butler County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-10 and II-D-10 to be significant deficiencies.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 28, 2011

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

**Butler County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of Butler County:

Compliance

We have audited Butler County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Butler County's major federal program for the year ended June 30, 2010. Butler County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Butler County's management. Our responsibility is to express an opinion on Butler County's compliance based on our audit.

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

In our opinion, Butler County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Butler County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Butler County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Butler County's internal control over compliance.

A deficiency in the internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 28, 2011

Butler County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 93.667 – Social Services Block Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Butler County did not qualify as a low-risk auditee.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-10 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Recorder and Treasurer
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Recorder and Treasurer
(3) Bank accounts are not reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.	Recorder and Treasurer
(4) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash.	Recorder

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

Responses –

County Treasurer –

- 1) We alternate who opens the mail or on busy days several people may open it. We do not have enough staff to have one employee not make entries.
- 2) All staff record and account for cash. We rotate on daily reconciliations.
- 3) We will try to exchange bank reconciliations with the Recorder's Office.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

County Recorder – Bank statements will be reconciled monthly to book balances. We will utilize staff in the County Treasurer’s Office to segregate duties as much as possible.

Conclusions – Responses accepted.

II-B-10 Financial Reporting – During the audit, we identified material amounts of payables and a transfer not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all payables and transfers are identified and included in the County’s financial statements.

Response – The County agrees to be more diligent in the future to assure payables and transfers are recorded correctly.

Conclusion – Response accepted.

II-C-10 County Sheriff – Separate bank accounts were maintained for the receipts and disbursements for the DARE program. These receipts and disbursements were not recorded in the County’s accounting system and have not been recorded in the County’s annual budget or financial report.

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

Response – The DARE funds will be given to the County Treasurer as of July 1, 2011.

Conclusion – Response accepted.

II-D-10 County Recorder – The County Recorder’s Office does not prepare a year-to-date spreadsheet of receipts and disbursements which reconciles the beginning and ending book balances.

Recommendation – The bank reconciliations, including outstanding check listings and other reconciling items, should be prepared at the end of each month and reconciled to book balances.

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

Response – Bank statements will be reconciled monthly to book balances. We will also prepare a year-to-date spreadsheet of receipts and disbursements.

Conclusion – Response accepted.

Butler County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

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

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

- IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- IV-B-10 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-10 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tamara Fleshner, Public Health, Independent contractor	CPR training	\$ 150
Habbo Fokkena, Husband of County Auditor, Landlord	Rent for general relief recipients	165
Curt Luben, Deputy Sheriff	Tobacco buys	200
Kiley Winterberg, Deputy Sheriff	Tobacco buys	360
Sarah Briggs, Daughter of Deputy Sheriff, Independent contractor	Services	360
Steven Nielsen, Son-in-law of County Auditor, Independent contractor	Services	100
Lisa Trees, Daughter of Secondary Roads employee	Revolving loan	5,000

In accordance with Chapter 331.342(10) of the Code, these transactions do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year with the exception of the revolving loan which may represent a conflict of interest. The County should consult legal counsel to determine the disposition of this matter.

Response – The Butler County Revolving Loan Board which presents the loan applications to the Board of Supervisors consists of three members, two of which are bank loan officers and one citizen. Also, it should be noted the relationship is by marriage, not by blood or adoption. The selection of the applicant in this instance would not have any direct benefit to a county employee. For these reasons, I believe a sufficient system of independent oversight and assessment existed and a conflict under Iowa Code Section 331.342(10) does not exist.

Conclusion – Response accepted.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- IV-E-10 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.
- IV-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-10 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-10 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

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

- (1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.
- (2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.
- (3) Bank accounts are not reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.
- (4) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash.

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

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Response – We try to segregate duties as much as possible which is a challenge in a small office. Internal controls include: The extension council treasurer signs all checks. An audit committee, made up of extension council members, reviews the monthly expenditures and all financial statements and documents. The full extension council reviews and approves monthly vouchers and financial reports.

Conclusion – Response accepted.

IV-J-10 Emergency Management Commission Budget – The disbursements in the Emergency Management Commission Fund exceeded the amount budgeted.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget was in fact amended by the Emergency Management Commission, but I as the Coordinator, did not publish the hearing notice nor did I provide the proper notification to the County Auditor so she was unaware of the change. It was an oversight on my part completely for not following through with the process. In the future, I will make absolutely sure everything is done in accordance with proper procedure and will also keep a much closer eye on my bottom line so it will not happen again.

Conclusion – Response accepted.

Butler County

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Billie Jo Heth, Senior Auditor II  
Kelly L. Hilton, Staff Auditor  
Rosemary E. Nielsen, Staff Auditor  
Nancy J. Umsted, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State