



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

April 2, 2012

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 \$21,352,643 for the year ended June 30, 2011, which included \$956,283 in tax credits from the state. The County forwarded \$15,968,702 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,383,941 of the local tax revenue to finance County operations, a 3.0% increase over the prior year. Other revenues included charges for service of \$1,380,861, operating grants, contributions and restricted interest of \$31,542,260, capital grants, contributions and restricted interest of \$550,400, local option sales tax of \$462,876, unrestricted investment earnings of \$319,358 and other general revenues of \$361,335.

Expenses for County operations totaled \$36,459,273, a 189.7% increase over the prior year. Expenses included \$24,384,286 for mental health, \$6,251,446 for roads and transportation and \$1,846,366 for public safety and legal services.

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

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1110-0012-B00F.pdf>.

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BUTLER COUNTY

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

JUNE 30, 2011

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Butler County

Officials

(Before January 2011)

<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

(After January 2011)

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

Butler County



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Independent Auditor's Report

To the Officials of Butler County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County, Iowa, as of and for the year ended June 30, 2011, 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.

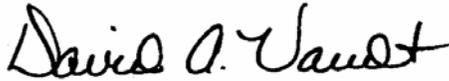
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2011, 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 March 16, 2012 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 44 through 47 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, 2010 (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

March 16, 2012

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, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Governmental activities revenues increased \$25,298,324, or 172.1%, from fiscal year 2010 to fiscal year 2011. Operating grants and contributions increased \$26,540,945, or 530.7%, property tax increased \$186,228, or 3.76%, capital grants and contributions decreased \$1,905,430, or 77.6%, and charges for service increased \$273,964, or 24.7%.
- Governmental activities expenses increased \$23,875,668 from fiscal year 2010 to fiscal year 2011. Mental health expenses increased \$23,078,816, roads and transportation expenses increased \$912,654, county environment and education expenses decreased \$110,486, non-program expenses decreased \$21,917, public safety and legal services expenses increased \$37,670, administration expenses decreased \$53,224 and physical health and social services expenses increased \$17,170.
- Net assets increased 12.8%, or \$3,541,758, from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

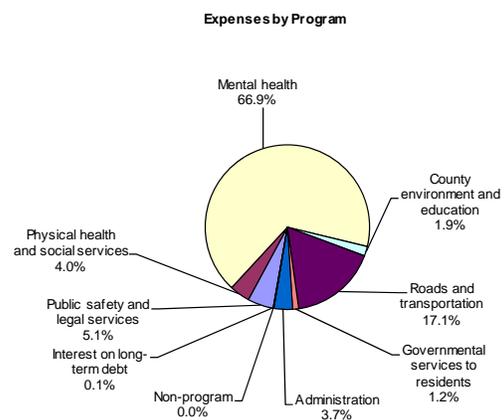
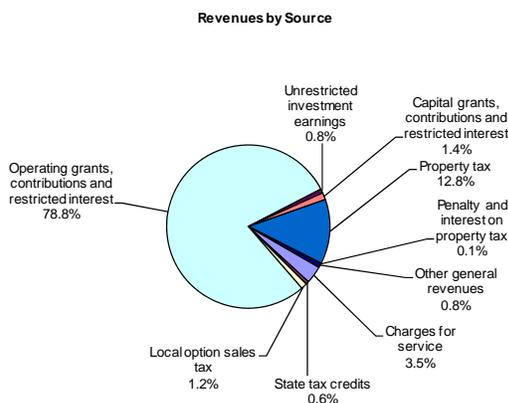
As noted earlier, net assets may serve over time as a useful indicator of financial position. Butler County's net assets at June 30, 2011 totaled \$31,237,861. This compares to \$27,696,103 at the end of fiscal year 2010. The analysis that follows focuses on the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2011	2010
Current and other assets	\$ 28,068,535	\$ 13,506,311
Capital assets	22,817,870	21,038,135
Total assets	50,886,405	34,544,446
Long-term liabilities	2,847,649	597,924
Other liabilities	16,800,895	6,250,419
Total liabilities	19,648,544	6,848,343
Net assets:		
Invested in capital assets	21,358,230	21,038,135
Restricted	8,290,162	4,076,849
Unrestricted	1,589,469	2,581,119
Total net assets	\$ 31,237,861	\$ 27,696,103

Net assets of Butler County's governmental activities increased approximately \$3.54 million (\$27,696,103 compared to \$31,237,861). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net assets increased approximately \$4,213,000, or 103%, from fiscal year 2010 to fiscal year 2011. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—is \$1,589,469 at June 30, 2011. Unrestricted net assets decreased approximately \$992,000, or 38.4%, from fiscal year 2010 to fiscal year 2011. The decrease in unrestricted net assets is primarily due to a spend down of fund balance in an effort to hold property tax levies steady.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 1,380,861	1,106,897
Operating grants, contributions and restricted interest	31,542,260	5,001,315
Capital grants, contributions and restricted interest	550,400	2,455,830
General revenues:		
Property tax	5,135,125	4,948,897
Penalty and interest on property tax	48,871	47,053
State tax credits	248,816	276,246
Local option sales tax	462,876	442,994
Unrestricted investment earnings	319,358	255,300
Other general revenues	312,464	168,175
Total revenues	40,001,031	14,702,707
Program expenses:		
Public safety and legal services	1,846,366	1,808,696
Physical health and social services	1,443,411	1,426,241
Mental health	24,384,286	1,305,470
County environment and education	687,185	797,671
Roads and transportation	6,251,446	5,338,792
Governmental services to residents	447,871	469,880
Administration	1,333,180	1,386,404
Non-program	17,785	39,702
Interest on long-term debt	47,743	10,749
Total expenses	36,459,273	12,583,605
Increase in net assets	3,541,758	2,119,102
Net assets beginning of year	27,696,103	25,577,001
Net assets end of year	\$ 31,237,861	27,696,103



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 \$.02498 per \$1,000 of taxable valuation. Property tax revenue for fiscal year 2011 was budgeted to increase approximately \$52,000, primarily due to an increase in property valuation. In addition, Butler County fully assumed the role of fiscal agent for County Social Services and its member counties. This significantly increased mental health program expenses and related program revenues.

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 2011 with a fund balance of \$2,682,372. This was a \$167,793 decrease from fiscal year 2010, which ended at \$2,850,165 after the reclassification of the \$147,218 balance from the Special Revenue, Conservation Land Acquisition Fund to the General Fund.
- The Special Revenue, Mental Health Fund balance ended fiscal year 2011 with a fund balance of (\$1,371,496). This was a \$1,699,845 decrease from fiscal year 2010, which ended with a balance of \$328,349, primarily due to accrued revenues of County Social Services not being timely transferred to the fiscal agent's (Butler County) Mental Health Fund.
- The Special Revenue, Rural Services Fund ended fiscal year 2011 with a fund balance of \$699,588, an increase of \$93,031 from the ending balance for fiscal year 2010, which ended with a balance of \$606,557. Transfers to the Special Revenue, Secondary Roads Fund increased \$42,924 over fiscal year 2010.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2011 with a fund balance of \$1,976,387. This is a decrease of \$669,291 from the ending balance for fiscal year 2010, which ended with a balance of \$2,645,678, primarily due to an increase in construction projects using local funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, Butler County amended its budget two times. The first amendment was made in September 2010 and resulted in an increase in budgeted disbursements of \$825,336, of which \$785,000 was to complete the final year of a multi-year reconstruction project on 220th Street which was financed by general obligation borrowing in fiscal year 2011.

The second amendment occurred in January 2011. This amendment resulted in increased budgeted disbursements of \$73,450, primarily to cover the costs of additional prosecutions by the County Attorney, professional services to complete a comprehensive land use plan for planning and zoning and interest due on the fiscal year 2011 general obligation bonds.

The County's receipts were \$1,734,102 less than budgeted, a variance of 4.8%, due to this being the initial year of estimating receipts for County Social Services (a joint venture for administering mental health and disability services for Black Hawk, Butler, Cerro Gordo, Floyd and Mitchell Counties.)

Total disbursements were \$10,622,899 less than the amended budget. Mental health disbursements were \$9,399,643 less than budgeted due to uncertainty in estimating expenses for County Social Services, as well as anticipated savings due to efficiencies of the consortium. Capital projects disbursements were \$1,022,655 less than budgeted due to the inability to complete the 220th Street Reconstruction Project in this fiscal year. The remaining decrease of \$200,601 was accomplished by reduced spending in all functional areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, Butler County had approximately \$22.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1.8 million over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2011	2010
Land	\$ 762,112	762,112
Construction in progress	585,370	137,850
Buildings	304,913	193,988
Improvements other than buildings	36,526	38,114
Equipment and vehicles	3,930,099	3,861,334
Infrastructure	17,198,850	16,044,737
Total	\$ 22,817,870	21,038,135

The County had depreciation expense in fiscal year 2011 of \$1,486,113 and total accumulated depreciation of approximately \$10.6 million at June 30, 2011. The County's fiscal year 2011 capital projects expenditures totaled \$2,307,345, principally for the completion of a county conservation bike trail and several bridge projects and the reconstruction project on 220th Street. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2011, Butler County had \$175,102 in outstanding general obligation capital loan notes and \$2.2 million in general obligation urban renewal bonds, compared to \$204,366 of long-term debt at June 30, 2011.

Outstanding Debt of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2011	2010
General obligation capital loan notes	\$ 175	504
General obligation urban renewal bonds	2,200	-
Total	\$ 2,375	\$ 504

Debt increased as a result of issuing general obligation urban renewal bonds for the reconstruction of a portion of 220th Street.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Butler County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$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 2012 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 2011 (July 1, 2010 to June 30, 2011) was 5.5%. While this was a decrease from last year, it remains substantially higher than past years, such as 3.76% in fiscal year 2007.

Butler County's unemployment rate was slightly lower than the State's unemployment rate of 6.1%, but almost 50% below the national rate of 9.28% for the same period.

For this budget year, the continuing increase in health insurance costs for employees remains the item of most concern, as well as keeping salaries in line with the cost of living. All non-union employees were given a 3% increase in salary in fiscal year 2012 after receiving no increase in fiscal year 2011.

The fiscal year 2012 budgeted receipts increased \$3,375,000 over fiscal year 2011 actuals, due substantially to additional counties joining County Social Services (a joint venture for administering mental health and disability services) for which the County acts as the fiscal agent. The budgeted receipts also included an additional \$157,000 in increased property tax to cover debt service obligations.

If the budget estimates are realized, the County's fund balances are expected to decrease approximately \$6.0 million at the close of fiscal year 2012. This decrease would be mainly a planned spend down of the Mental Health Fund as well as planned spending of borrowed funds for the reconstruction of 220th Street and a new maintenance shed located in Allison, Iowa.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Butler County

Basic Financial Statements

Butler County
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 15,417,777
Receivables:	
Property tax:	
Delinquent	22,688
Succeeding year	5,660,000
Interest and penalty on property tax	94,340
Accounts	45,281
Economic development loans	105,145
E911 lease	175,102
Due from other governments	5,930,612
Inventories	413,496
Prepaid items	204,094
Capital assets (net of accumulated depreciation)	22,817,870
Total assets	<u>50,886,405</u>
Liabilities	
Accounts payable	2,169,068
Salaries and benefits payable	123,538
Accrued interest payable	2,182
Due to other governments	8,846,107
Deferred revenue:	
Succeeding year property tax	5,660,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	30,739
General obligation urban renewal bonds payable	135,000
Compensated absences	277,783
Portion due or payable after one year:	
General obligation capital loan notes	144,363
General obligation urban renewal bonds payable	2,065,000
Compensated absences	80,618
Net OPEB liability	114,146
Total liabilities	<u>19,648,544</u>
Net Assets	
Invested in capital assets, net of related debt	21,358,230
Restricted for:	
Supplemental levy purposes	145,429
Mental health purposes	3,838,777
Secondary roads purposes	2,135,032
Other purposes	2,170,924
Unrestricted	1,589,469
Total net assets	<u>\$ 31,237,861</u>

See notes to financial statements.

Butler County
Statement of Activities
Year ended June 30, 2011

	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	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,846,366	244,987	11,563	-	(1,589,816)
Physical health and social services	1,443,411	720,747	364,007	-	(358,657)
Mental health	24,384,286	5,131	27,358,757	-	2,979,602
County environment and education	687,185	41,599	76,782	-	(568,804)
Roads and transportation	6,251,446	83,079	3,602,720	550,400	(2,015,247)
Governmental services to residents	447,871	247,670	9,230	-	(190,971)
Administration	1,333,180	37,648	119,201	-	(1,176,331)
Non-program	17,785	-	-	-	(17,785)
Interest on long-term debt	47,743	-	-	-	(47,743)
Total	\$ 36,459,273	1,380,861	31,542,260	550,400	(2,985,752)
General Revenues:					
Property and other county tax levied for general purposes					5,135,125
Penalty and interest on property tax					48,871
State tax credits					248,816
Local option sales tax					462,876
Unrestricted investment earnings					319,358
Gain on disposition of capital assets					128,793
Rent					132,951
Miscellaneous					50,720
Total general revenues					6,527,510
Change in net assets					3,541,758
Net assets beginning of year					27,696,103
Net assets end of year					\$ 31,237,861

See notes to financial statements.

Butler County
Balance Sheet
Governmental Funds

June 30, 2011

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 2,452,741	8,580,911	631,847
Receivables:			
Property tax:			
Delinquent	13,617	1,691	7,380
Succeeding year	3,298,000	367,000	1,812,000
Interest and penalty on property tax	94,340	-	-
Accounts	11,518	33	-
Economic development loans	-	-	-
E911 lease	175,102	-	-
Due from other governments	186,409	5,318,248	80,347
Inventories	-	-	-
Prepaid items	125,056	-	-
Total assets	\$ 6,356,783	14,267,883	2,531,574
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 76,376	1,245,532	3,404
Salaries and benefits payable	69,301	64	8,357
Due to other governments	28,753	8,816,509	845
Deferred revenue:			
Succeeding year property tax	3,298,000	367,000	1,812,000
Other	201,981	5,210,274	7,380
Total liabilities	3,674,411	15,639,379	1,831,986
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	125,056	-	-
Restricted for:			
Supplemental levy purposes	145,428	-	-
Rural services purposes	-	-	699,588
Secondary roads purposes	-	-	-
Public health nursing purposes	449,745	-	-
E911 lease receivable	175,102	-	-
Resource enhancement and protection	-	-	-
Jail and courthouse security	52,753	-	-
Conservation land acquisition	186,950	-	-
Conservation trust	-	-	-
Capital projects	-	-	-
Other purposes	2,487	-	-
Unassigned	1,544,851	(1,371,496)	-
Total fund balances	2,682,372	(1,371,496)	699,588
Total liabilities and fund balances	\$ 6,356,783	14,267,883	2,531,574

See notes to financial statements.

Secondary Roads	Nonmajor	Total
2,001,617	1,750,661	15,417,777
-	-	22,688
-	183,000	5,660,000
-	-	94,340
31,817	1,913	45,281
-	105,145	105,145
-	-	175,102
345,608	-	5,930,612
413,496	-	413,496
79,038	-	204,094
<u>2,871,576</u>	<u>2,040,719</u>	<u>28,068,535</u>
842,506	1,250	2,169,068
45,304	512	123,538
-	-	8,846,107
-	183,000	5,660,000
7,379	105,145	5,532,159
<u>895,189</u>	<u>289,907</u>	<u>22,330,872</u>
413,496	-	413,496
79,038	-	204,094
-	-	145,428
-	-	699,588
1,483,853	-	1,483,853
-	-	449,745
-	-	175,102
-	101,051	101,051
-	-	52,753
-	-	186,950
-	184,523	184,523
-	1,306,052	1,306,052
-	159,186	161,673
-	-	173,355
<u>1,976,387</u>	<u>1,750,812</u>	<u>5,737,663</u>
<u>2,871,576</u>	<u>2,040,719</u>	<u>28,068,535</u>

Butler County

Butler County

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

June 30, 2011

Total governmental fund balances (page 19) \$ 5,737,663

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 \$33,458,696 and the accumulated depreciation is \$10,640,826. 22,817,870

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 5,532,159

Long-term liabilities, including general obligation capital loan notes and urban renewal bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (2,849,831)

Net assets of governmental activities (page 16) \$ 31,237,861

See notes to financial statements.

Butler County

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

Year ended June 30, 2011

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,001,802	372,839	1,739,903
Local option sales tax	-	-	231,438
Interest and penalty on property tax	48,872	-	-
Intergovernmental	1,211,427	22,168,802	249,379
Licenses and permits	8,525	-	1,770
Charges for service	455,345	5,131	600
Use of money and property	292,053	130,316	-
Miscellaneous	162,405	7,353	1,800
Total revenues	5,180,429	22,684,441	2,224,890
Expenditures:			
Operating:			
Public safety and legal services	1,323,992	-	485,378
Physical health and social services	1,440,316	-	-
Mental health	-	24,384,286	-
County environment and education	339,381	-	273,000
Roads and transportation	-	-	49,930
Governmental services to residents	415,785	-	8,551
Administration	1,501,098	-	-
Non-program	17,785	-	-
Debt service	38,941	-	-
Capital projects	133,668	-	-
Total expenditures	5,210,966	24,384,286	816,859
Excess (deficiency) of revenues over (under) expenditures	(30,537)	(1,699,845)	1,408,031
Other financing sources (uses):			
Sale of capital assets	1,175	-	-
Operating transfers in	-	-	-
Operating transfers out	(138,431)	-	(1,315,000)
General obligation bonds issued	-	-	-
Discount on bonds issued	-	-	-
Total other financing sources (uses)	(137,256)	-	(1,315,000)
Net change in fund balances	(167,793)	(1,699,845)	93,031
Fund balances beginning of year, as restated	2,850,165	328,349	606,557
Fund balances end of year	\$ 2,682,372	(1,371,496)	699,588

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	-	5,114,544
231,438	-	462,876
-	-	48,872
3,362,585	402,512	27,394,705
4,735	-	15,030
14,201	3,416	478,693
3,935	68,070	494,374
98,855	21,417	291,830
3,715,749	495,415	34,300,924
-	1,722	1,811,092
-	-	1,440,316
-	-	24,384,286
-	36,399	648,780
4,992,275	-	5,042,205
-	4,185	428,521
-	-	1,501,098
-	-	17,785
-	38,431	77,372
2,134,472	9,196	2,277,336
7,126,747	89,933	37,628,791
(3,410,998)	405,482	(3,327,867)
31,150	-	32,325
2,710,557	38,431	2,748,988
-	(1,295,557)	(2,748,988)
-	2,200,000	2,200,000
-	(6,600)	(6,600)
2,741,707	936,274	2,225,725
(669,291)	1,341,756	(1,102,142)
2,645,678	409,056	6,839,805
1,976,387	1,750,812	5,737,663

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, 2011

Net change in fund balances - Total governmental funds (page 23) \$(1,102,142)

**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	\$2,711,589	
Transportation	457,791	
Depreciation expense	<u>(1,486,113)</u>	1,683,267

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 96,468

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	13,228	
Other	<u>5,100,296</u>	5,113,524

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

Issued	(2,200,000)	
Repaid	<u>29,264</u>	(2,170,736)

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	3,573	
Other postemployment benefits	(82,562)	
Interest on long-term debt	<u>366</u>	<u>(78,623)</u>

Change in net assets of governmental activities (page 17) \$ 3,541,758

See notes to financial statements.

Butler County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,077,277
Other county officials	112,611
Receivables:	
Property tax:	
Delinquent	60,560
Succeeding year	15,345,000
Accounts	19,470
Special assessments	260,820
Due from other governments	8,125
Total assets	16,883,863

Liabilities

Accounts payable	79,430
Salaries and benefits payable	6,679
Due to other governments	16,688,805
Trusts payable	102,168
Compensated absences	6,781
Total liabilities	16,883,863
Net assets	\$ -

See notes to financial statements.

Butler County

Notes to Financial Statements

June 30, 2011

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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, 2011, 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, 2011. 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, fund balances are classified as follows:

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the roads and transportation function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 100,000
	Special Revenue:	
	Rural Services	1,315,000
	Capital Projects	1,295,557
Debt Service	General	38,431
Total		<u>\$ 2,748,988</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 762,112	-	-	762,112
Construction in progress	38,000	92,602	(123,812)	6,790
Construction in progress, road network	99,850	2,462,695	(1,983,965)	578,580
Total capital assets not being depreciated	<u>899,962</u>	<u>2,555,297</u>	<u>(2,107,777)</u>	<u>1,347,482</u>
Capital assets being depreciated:				
Buildings	1,984,195	123,812	(30,000)	2,078,007
Improvements other than buildings	39,702	-	-	39,702
Equipment and vehicles	9,465,540	779,761	(708,152)	9,537,149
Infrastructure, road network	17,091,167	1,930,948	-	19,022,115
Infrastructure, other	1,434,241	-	-	1,434,241
Total capital assets being depreciated	<u>30,014,845</u>	<u>2,834,521</u>	<u>(738,152)</u>	<u>32,111,214</u>
Less accumulated depreciation for:				
Buildings	1,790,207	12,887	(30,000)	1,773,094
Improvements other than buildings	1,588	1,588	-	3,176
Equipment and vehicles	5,604,206	694,803	(691,959)	5,607,050
Infrastructure, road network	2,363,201	748,422	-	3,111,623
Infrastructure, other	117,470	28,413	-	145,883
Total accumulated depreciation	<u>9,876,672</u>	<u>1,486,113</u>	<u>(721,959)</u>	<u>10,640,826</u>
Total capital assets being depreciated, net	<u>20,138,173</u>	<u>1,348,408</u>	<u>(16,193)</u>	<u>21,470,388</u>
Governmental activities capital assets, net	<u>\$ 21,038,135</u>	<u>3,903,705</u>	<u>(2,123,970)</u>	<u>22,817,870</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 43,009
County environment and education	54,817
Roads and transportation	1,326,789
Governmental services to residents	15,831
Administration	45,667
Total depreciation expense - governmental activities	<u>\$ 1,486,113</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	\$ 28,753
Special Revenue:		
Mental Health	Services	8,816,509
Rural Services		845
		<u>8,817,354</u>
Total for governmental funds		<u>\$ 8,846,107</u>
Agency:		
County Agricultural Extension	Collections	\$ 142,633
County Assessor		467,873
Schools		9,971,300
Community Colleges		631,338
Corporations		4,374,773
Townships		227,277
City Special Assessments		265,336
Auto License and Use Tax		359,996
Empowerment Board		142,001
Empowerment Board - ARRA		11,146
All other		95,132
Total for agency funds		<u>\$ 16,688,805</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	General Obligation Capital Loan Notes	General Obligation Urban Renewal Bonds	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 204,366	-	361,974	31,584	597,924
Increases	-	2,200,000	415,013	83,728	2,698,741
Decreases	29,264	-	418,586	1,166	449,016
Balance end of year	<u>\$ 175,102</u>	<u>2,200,000</u>	<u>358,401</u>	<u>114,146</u>	<u>2,847,649</u>
Due within one year	<u>\$ 30,739</u>	<u>135,000</u>	<u>277,783</u>	<u>-</u>	<u>443,522</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, 2011 totaled \$175,102.

General Obligation Urban Renewal Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	0.85%	\$ 135,000	54,042	189,042
2013	1.10	135,000	52,895	187,895
2014	1.40	140,000	51,410	191,410
2015	1.60	140,000	49,450	189,450
2016	1.80	145,000	47,210	192,210
2017-2021	2.10-2.80	775,000	187,480	962,480
2022-2025	3.00-3.50	730,000	63,491	793,491
Total		\$ 2,200,000	505,978	2,705,978

(7) E911 Lease Receivable

The County entered into a lease agreement with the E911 Service Board. Under the agreement, the E911 Service Board is to make quarterly payments of \$9,735 to the County, an amount equal to the quarterly payment required on the general obligation capital loan notes, 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, 2011.

Year Ending June 30,	Total
2012	\$ 38,941
2013	38,941
2014	38,941
2015	41,523
2016	41,523
Total minimum lease payments	199,869
Less amount representing interest	(24,767)
Present value of net minimum lease payments	\$ 175,102

(8) Economic Development Revolving Loan Fund

The County has fifteen economic development loans receivable totaling \$105,145 at June 30, 2011 due from businesses located in Butler County. The loans were made to the businesses to promote economic development.

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

(9) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$318,995, \$297,344 and \$272,385, 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 96 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	87,545
Interest on net OPEB obligation		1,396
Adjustment to annual required contribution		(5,213)
Annual OPEB cost		<u>83,728</u>
Contributions made		<u>(1,166)</u>
Increase in net OPEB obligation		82,562
Net OPEB obligation beginning of year		<u>31,584</u>
Net OPEB obligation end of year	\$	<u><u>114,146</u></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, 2011.

For the year ended June 30, 2011, the County contributed \$1,166 to the medical plan. Plan members eligible for benefits contributed \$20,515, or 95% 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, 2011 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
2011	83,728	1.4	114,146

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, 2011, the actuarial accrued liability was \$568,714, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$568,714. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,468,000 and the ratio of the UAAL to covered payroll was 12.7%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, 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 \$419 to \$1,422 per month for retirees less than age 65. Benefits are not related to salary levels. The UAAL is being amortized as a level dollar cost over 30 years.

(11) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/ machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 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, 2011 were \$156,203.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses

become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

(12) Self-Funded Insurance Plan

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

Payments to the Self Insurance account were recorded as expenditures by the operating funds. Payments to the administrators for service fees and medical claims for the year ended June 30, 2011 were \$21,392.

(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 during the year ended June 30, 2010. On July 1, 2010, the Agency Fund remitted the balance of \$4,342,001 to the Special Revenue, Mental Health Fund.

Effective July 1, 2010, the County fully assumed the role of fiscal agent for CSS. For the year ended June 30, 2011 and for future years, all revenues and expenditures for mental health and disability services for the member counties are combined and accounted for on the modified accrual basis of accounting by the County in its Special Revenue, Mental Health Fund. The County also approved the overall budget for CSS. Mental health revenues and expenditures are not maintained separately by member counties.

(14) Financial Assurance

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

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Association in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care of the Association as of June 30, 2011 are \$3,051,500 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 1% 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 \$415,010 for road grading and structure work. As of June 30, 2011, no costs on the project have been incurred. The balance on the contract at June 30, 2011 will be paid as work on the project progresses.

(17) Deficit Fund Balance

The Special Revenue, Mental Health Fund reported an unassigned fund balance deficit of \$1,371,496 at June 30, 2011. The County plans to eliminate the deficit upon receipt of funds from other member counties of County Social Services in fiscal year 2012.

(18) Subsequent Event

On September 27, 2011, the County issued \$1,530,000 of general obligation bonds, Series 2011, as authorized by Chapter 331.443 of the Code of Iowa for an essential county purpose to pay the costs of constructing an equipment and maintenance facility. These bonds are payable from a continuing annual levy of property tax against all taxable property of the County.

(19) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>General</u>	<u>Special Revenue - Conservation Land Acquisition</u>
Balances June 30, 2010, as previously reported	\$ 2,702,947	147,218
Change in fund type classification per implementation of GASB Statement No. 54	<u>147,218</u>	<u>(147,218)</u>
Balances July 1, 2010, as restated	<u><u>\$ 2,850,165</u></u>	<u><u>-</u></u>

Butler County

Required Supplementary Information

Butler County

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

Required Supplementary Information

Year ended June 30, 2011

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 5,504,600	5,526,143	5,526,143	(21,543)
Interest and penalty on property tax	48,871	8,000	8,000	40,871
Intergovernmental	27,207,667	29,563,733	29,151,733	(1,944,066)
Licenses and permits	15,280	13,000	13,000	2,280
Charges for service	476,773	551,690	551,690	(74,917)
Use of money and property	522,673	359,064	359,064	163,609
Miscellaneous	272,611	172,947	172,947	99,664
Total receipts	34,048,475	36,194,577	35,782,577	(1,734,102)
Disbursements:				
Public safety and legal services	1,847,968	1,909,097	1,924,597	76,629
Physical health and social services	1,431,765	1,541,905	1,574,241	142,476
Mental health	14,663,690	24,063,333	24,063,333	9,399,643
County environment and education	647,254	773,635	801,135	153,881
Roads and transportation	4,799,497	4,550,000	4,550,000	(249,497)
Governmental services to residents	427,051	464,052	464,052	37,001
Administration	1,496,570	1,534,444	1,534,444	37,874
Non-program	17,785	20,000	20,000	2,215
Debt service	77,371	38,943	77,393	22
Capital projects	2,307,345	2,545,000	3,330,000	1,022,655
Total disbursements	27,716,296	37,440,409	38,339,195	10,622,899
Excess (deficiency) of receipts over (under) disbursements	6,332,179	(1,245,832)	(2,556,618)	8,888,797
Other financing sources, net	2,227,925	-	2,200,000	27,925
Balance beginning of year	6,857,673	5,552,557	5,552,557	1,305,116
Balance end of year	\$ 15,417,777	4,306,725	5,195,939	10,221,838

See accompanying independent auditor's report.

Butler County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 34,048,475	252,449	34,300,924
Expenditures	27,716,296	9,912,495	37,628,791
Net	6,332,179	(9,660,046)	(3,327,867)
Other financing sources, net	2,227,925	-	2,225,725
Beginning fund balances	6,857,673	762,557	6,839,805
Ending fund balances	\$ 15,417,777	(8,897,489)	5,737,663

See accompanying independent auditor's report.

Butler County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 \$898,786. 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, 2011, disbursements exceeded the amount budgeted in the roads and transportation function.

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%
2011	Jul 1, 2009	-	569	569	0.00	4,468	12.7

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, 2011

	Economic Development Revolving Loan	Sheriff's Commissary and Telephone	Seized and Forfeited Property	Sesquicentennial Memorial
Assets				
Cash and pooled investments	\$ 112,350	9,059	8,997	729
Receivables:				
Succeeding year property tax Accounts	-	-	400	-
Economic development loans	105,145	-	-	-
Total assets	\$ 217,495	9,059	9,397	729
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 9	-	241	-
Salaries and benefits payable	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	105,145	-	-	-
Total liabilities	105,154	-	241	-
Fund balances:				
Restricted for other purposes	112,341	9,059	9,156	729
Total liabilities and fund balances	\$ 217,495	9,059	9,397	729

See accompanying independent auditor's report.

Special Revenue								
County Recorder's Records Management	Canine	Conservation Trust	Resource Enhancement and Protection	Logistics Tax Increment Financing	Debt Service	Capital Projects	Total	
27,682	219	183,010	102,563	-	-	1,306,052	1,750,661	
-	-	-	-	25,000	158,000	-	183,000	
-	-	1,513	-	-	-	-	1,913	
-	-	-	-	-	-	-	105,145	
27,682	219	184,523	102,563	25,000	158,000	1,306,052	2,040,719	
-	-	-	1,000	-	-	-	1,250	
-	-	-	512	-	-	-	512	
-	-	-	-	25,000	158,000	-	183,000	
-	-	-	-	-	-	-	105,145	
-	-	-	1,512	25,000	158,000	-	289,907	
27,682	219	184,523	101,051	-	-	1,306,052	1,750,812	
27,682	219	184,523	102,563	25,000	158,000	1,306,052	2,040,719	

Butler County

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

Year ended June 30, 2011

	Economic Development Revolving Loan	Sheriff's Commissary and Telephone	Seized and Forfeited Property	Special Sesquicentennial Memorial
Revenues:				
Intergovernmental	\$ -	-	-	-
Charges for service	-	-	-	-
Use of money and property	43,415	257	-	11
Miscellaneous	-	-	5,380	-
Total revenues	43,415	257	5,380	11
Expenditures:				
Operating:				
Public safety and legal services	-	-	641	-
County environment and education	31,118	-	-	-
Governmental services to residents	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	31,118	-	641	-
Excess (deficiency) of revenues over (under) expenditures	12,297	257	4,739	11
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
General obligation bonds issued	-	-	-	-
Net discount on bonds issued	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	12,297	257	4,739	11
Fund balances beginning of year, as restated	100,044	8,802	4,417	718
Fund balances end of year	\$ 112,341	9,059	9,156	729

See accompanying independent auditor's report.

Revenue							
County Recorder's Records Management	Canine	Conservation Trust	Resource Enhancement and Protection	Debt Service	Capital Projects	Total	
-	-	-	14,105	-	388,407	402,512	
3,416	-	-	-	-	-	3,416	
433	-	2,596	1,556	-	19,802	68,070	
-	1,300	14,737	-	-	-	21,417	
3,849	1,300	17,333	15,661	-	408,209	495,415	
-	1,081	-	-	-	-	1,722	
-	-	-	5,281	-	-	36,399	
4,185	-	-	-	-	-	4,185	
-	-	-	-	38,431	-	38,431	
-	-	-	9,196	-	-	9,196	
4,185	1,081	-	14,477	38,431	-	89,933	
(336)	219	17,333	1,184	(38,431)	408,209	405,482	
-	-	-	-	38,431	-	38,431	
-	-	-	-	-	(1,295,557)	(1,295,557)	
-	-	-	-	-	2,200,000	2,200,000	
-	-	-	-	-	(6,600)	(6,600)	
-	-	-	-	38,431	897,843	936,274	
(336)	219	17,333	1,184	-	1,306,052	1,341,756	
28,018	-	167,190	99,867	-	-	409,056	
27,682	219	184,523	101,051	-	1,306,052	1,750,812	

Butler County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,015	151,639	139,302	9,446
Other County officials	112,611	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	618	1,535	42,998	2,892
Succeeding year	-	140,000	336,000	9,789,000	619,000
Accounts	94	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 112,705	142,633	489,174	9,971,300	631,338
Liabilities					
Accounts payable	\$ -	-	9,939	-	-
Salaries and benefits payable	-	-	5,725	-	-
Due to other governments	10,537	142,633	467,873	9,971,300	631,338
Trusts payable	102,168	-	-	-	-
Compensated absences	-	-	5,637	-	-
Total liabilities	\$ 112,705	142,633	489,174	9,971,300	631,338

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Empowerment Board -ARRA	Other	Total
127,247	3,316	4,516	359,996	206,504	13,113	60,183	1,077,277
-	-	-	-	-	-	-	112,611
11,526	961	-	-	-	-	30	60,560
4,236,000	223,000	-	-	-	-	2,000	15,345,000
-	-	-	-	225	-	19,151	19,470
-	-	260,820	-	-	-	-	260,820
-	-	-	-	-	-	8,125	8,125
4,374,773	227,277	265,336	359,996	206,729	13,113	89,489	16,883,863
-	-	-	-	64,728	1,967	2,796	79,430
-	-	-	-	-	-	954	6,679
4,374,773	227,277	265,336	359,996	142,001	11,146	84,595	16,688,805
-	-	-	-	-	-	-	102,168
-	-	-	-	-	-	1,144	6,781
4,374,773	227,277	265,336	359,996	206,729	13,113	89,489	16,883,863

Butler County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	County Social Services	Schools	Community Colleges
Assets and Liabilities						
Balances beginning of year	\$ 104,588	138,287	492,495	4,342,001	9,408,604	606,343
Additions:						
Property and other county tax	-	140,107	336,570	-	9,788,223	620,659
E911 surcharge	-	-	-	-	-	-
State tax credits	-	6,800	16,907	-	463,888	29,334
Office fees and collections	325,409	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	112,898	-	-	-	-	-
Miscellaneous	-	-	404	-	-	-
Total additions	438,307	146,907	353,881	-	10,252,111	649,993
Deductions:						
Agency remittances:						
To other funds	159,271	-	-	-	-	-
To other governments	151,573	142,561	357,202	4,342,001	9,689,415	624,998
Trusts paid out	119,346	-	-	-	-	-
Total deductions	430,190	142,561	357,202	4,342,001	9,689,415	624,998
Balances end of year	\$ 112,705	142,633	489,174	-	9,971,300	631,338

See accompanying independent auditor's report.

Corpora- tions	Townships	City Special Assess- ments	Auto License and Use Tax	Empowerment Board	Empowerment Board-ARRA	Other	Total
3,651,581	231,612	97,862	343,657	206,152	29,840	149,111	19,802,133
4,146,203	227,337	-	-	-	-	2,136	15,261,235
-	-	-	-	-	-	120,096	120,096
179,712	10,719	-	-	-	-	107	707,467
-	-	-	-	-	-	-	325,409
-	-	-	4,226,223	-	-	119	4,226,342
-	-	228,368	-	-	-	-	228,368
-	-	-	-	-	-	-	112,898
-	-	-	-	612,130	2,543	80,956	696,033
4,325,915	238,056	228,368	4,226,223	612,130	2,543	203,414	21,677,848
-	-	-	138,736	-	-	-	298,007
3,602,723	242,391	60,894	4,071,148	611,553	19,270	263,036	24,178,765
-	-	-	-	-	-	-	119,346
3,602,723	242,391	60,894	4,209,884	611,553	19,270	263,036	24,596,118
4,374,773	227,277	265,336	359,996	206,729	13,113	89,489	16,883,863

Butler County

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

For the Last Ten Years

	2011*	2010	2009	Modified 2008
Revenues:				
Property and other county tax	\$ 5,114,544	4,916,248	4,799,419	4,251,927
Local option sales tax	462,876	442,994	480,410	484,244
Interest and penalty on property tax	48,872	47,053	36,458	32,746
Intergovernmental	27,394,705	5,797,705	7,530,529	6,125,937
Licenses and permits	15,030	15,565	15,653	14,649
Charges for service	478,693	481,389	453,012	464,111
Use of money and property	494,374	413,591	383,842	446,133
Miscellaneous	291,830	241,445	301,275	339,052
Total	\$ 34,300,924	12,355,990	14,000,598	12,158,799
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,811,092	1,762,804	1,666,888	1,578,721
Physical health and social services	1,440,316	1,423,468	1,329,711	1,354,701
Mental health	24,384,286	1,305,470	1,294,403	1,411,156
County environment and education	648,780	671,898	686,139	664,791
Roads and transportation	5,042,205	4,451,830	5,245,618	4,028,374
Governmental services to residents	428,521	446,943	414,465	389,465
Administration	1,501,098	1,351,304	1,210,085	1,232,630
Non-program	17,785	39,702	200,000	7,017
Debt service	77,372	38,942	38,941	38,941
Capital projects	2,277,336	643,210	2,019,732	977,440
Total	\$ 37,628,791	12,135,571	14,105,982	11,683,236

* Fiscal year 2011 includes the mental health activity of County Social Services.

See accompanying independent auditor's report.

Accrual Basis					
2007	2006	2005	2004	2003	2002
3,743,826	3,561,583	3,464,513	3,864,259	3,679,412	3,810,127
400,484	361,660	355,695	359,123	281,830	292,752
31,670	31,023	34,668	41,696	35,204	39,466
5,382,914	5,374,120	5,316,619	5,088,430	5,847,451	5,469,286
9,635	12,145	11,565	15,943	6,510	6,230
454,952	472,080	435,257	498,244	452,385	410,082
401,199	320,098	257,798	265,270	304,188	345,162
233,974	224,330	293,094	189,405	261,049	126,284
10,658,654	10,357,039	10,169,209	10,322,370	10,868,029	10,499,389
1,510,726	1,425,712	1,382,591	1,268,846	1,263,978	1,112,635
1,384,986	1,383,611	1,184,164	1,153,795	1,236,351	1,174,052
1,446,563	1,285,834	1,165,030	1,114,860	1,114,443	1,093,461
616,714	624,155	561,758	588,832	1,306,388	746,221
3,970,296	3,975,554	3,747,559	3,559,552	3,636,570	3,437,410
386,920	447,203	450,844	269,112	245,312	237,434
1,142,270	1,103,411	1,099,842	1,287,024	1,241,945	1,174,029
7,018	-	60	-	832	-
38,941	69,658	49,334	37,413	45,052	7,880
725,176	936,339	512,391	1,440,397	754,202	1,041,571
11,229,610	11,251,477	10,153,573	10,719,831	10,845,073	10,024,693

Butler County

Butler County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2011

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		\$ 16,152
U.S. Department of Justice:			
Iowa Department of Public Health:			
Tobacco Surveillance Grant	16.000		800
Iowa Department of Human Services:			
Public Health Emergency Preparedness	93.069	5881BT202	102,377
Public Health Emergency Preparedness	93.069	5881BT312	1,333
Public Health Emergency Preparedness	93.069	5881BT12	22,291
			<u>126,001</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Immunization Grants	93.268	5889I410/5118I410	2,000
Center for Disease Control and Prevention Investigations and Technical Assistance	93.283	5881NB03	8,070
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,946
Foster Care - Title IV-E	93.658		6,433
Refugee and Entrant Assistance_State Administered Programs	93.566		11
Adoption Assistance	93.659		1,547
Children's Health Insurance Program	93.767		74
Medical Assistance Program	93.778		15,466
Social Services Block Grant	93.667		5,516
Social Services Block Grant	93.667		1,094,848
			<u>1,100,364</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1763 DR IA	55,341
Hazard Mitigation Grant	97.039		2,745
Emergency Management Performance Grants	97.042		22,330
Total			<u>\$ 1,361,280</u>

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

See accompanying independent auditor's report.

Butler County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Butler County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and 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-11 and II-B-11 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-11 and II-D-11 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 which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

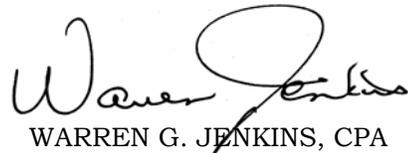
Butler County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Butler County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 16, 2012

**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

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and 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, 2011. 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, 2011.

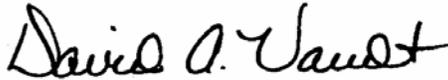
Internal Control Over Compliance

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

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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 16, 2012

Butler County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

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, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	County Treasurer and County Recorder

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

Responses –

County Treasurer – With three departments, it is hard to segregate duties. All employees must perform various duties within the office to cover all hours of operation. Cash is recorded into respective systems immediately and deposited daily. A log book is kept for checks not processed. Two employees reconcile the bank statements promptly with the County Recorder's Office reviewing it. Employees rotate duties and office hours. Void statements are noted and recorded. Incoming mail is exchanged and traced with the Recorder's Office.

County Recorder – Duties will be segregated the best we can with a staff of three. Bank reconciliations are currently checked by someone who does not record and account for cash in the Recorder's Office.

Conclusions – Responses accepted.

II-B-11 Financial Reporting – During the audit, we identified material amounts of infrastructure capital assets not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – The employee who was tasked with completing this inventory typically performs the update on an annual basis in the final days of the fiscal year. This year his workload prevented him from completing this task on time. We have discussed the issue within the County Engineer’s Office and have determined it would be a good plan to cross-train the office manager to do this job and to enter the data into GASB-34 Infrastructure Reporting System at project closeout time, rather than enter all projects at the end of the fiscal year. We understand the issue and are confident that this will resolve it.

Conclusion – Response accepted.

- II-C-11 Capital Assets – During the year, the County Sheriff purchased a vehicle and radio equipment at a total cost of \$45,129, which was added to the capital assets records. However, the vehicle and equipment had not been received as of June 30, 2011.

Recommendation – Vehicle and equipment purchases should not be paid for prior to being received by the County. Additionally, assets should not be included in the capital assets records prior to being received. In the future, the County should ensure all assets have been received prior to payments being made and the addition of an asset to the capital assets records.

Response – The radio equipment noted in the above report was ordered so it could be prepped and programmed in a timely manner to allow Butler County to stay in compliance with FCC regulations regarding the upcoming Narrow Banding of Radio Frequencies. The installation of the equipment can be handled later, but the prep must be done by a seasonal employee at Radio Communications. The installation will be completed after the initial prep, most likely this winter.

The vehicle was ordered in a timely fashion but manufacturing and availability issues held up delivery. This problem never happened to us before and I don’t anticipate that it will again.

The above recommendation is understood and will be followed.

Conclusion – Response accepted.

- II-D-11 Inventory – Certain inventory counts performed at year end did not agree with inventory records. Corrections following the counts were not posted to the final inventory.

Recommendation – The County should implement procedures to ensure inventory records are accurate and complete.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – Employee who typically would do year end counts was not available during the time at which we did our internal inventory check. As a result a second employee performed the count in his place. We have discussed the issue within the County Engineer’s Office and have determined we will train an additional employee to ensure we are able to accurately and completely perform this count in a timely fashion. We understand the issue and are confident this will resolve it.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Butler County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

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, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the roads and transportation function.

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

Response – The roads and transportation disbursements exceeded the amount budgeted due to a failure by the County Auditor to track said expenditures. However, the total appropriation to the roads and transportation department, which included that department’s capital projects budget, was not exceeded.

Conclusion – Response accepted.

IV-B-11 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-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-11 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	\$ 260
Curt Lubben, Deputy Sheriff	Auctioneer services	500

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 with each individual were less than \$1,500 during the fiscal year.

IV-E-11 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-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-11 Conservation Land Acquisition – Upon request of the Butler County Conservation Board, a reserve for county conservation land acquisition and capital improvement projects was established. In accordance with Chapter 350.6 of the Code of Iowa, “Moneys credited to the reserve shall remain in the reserve until expended for the projects upon warrants requisitioned by the county conservation board”. During the year, the Conservation Board purchased a vehicle at a cost of \$23,979 from the

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

funds available in the reserve. Vehicle purchases do not appear to meet the definition of a capital improvement project within this Code section.

Recommendation – Monies credited to the reserve shall remain in the reserve until expended for the projects as set out in Chapter 350.6 of the Code of Iowa. The County should consult legal counsel regarding the disposition of this matter.

Response – \$23,979 will be transferred from the General Fund to the Conservation Land Acquisition Account within the General Fund to cover the purchase of a pickup truck in the amount of \$23,979. In the future, the Conservation Board will ensure major equipment and vehicle expenditures are made from the General Fund.

Conclusion – Response accepted.

IV-H-11 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-I-11 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-J-11 E911 Services Commission Budget – Disbursements in the E911 Services Commission Fund during the year ended June 30, 2011 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 overrun noted in the above report was incurred as part of an ongoing plan to stay in compliance with FCC regulations regarding the narrow banding of radio frequencies. Any further overruns will be dealt with as a budget amendment as is recommended and in accordance with Chapter 24.9 of the Code of Iowa.

Conclusion – Response accepted.

IV-K-11 Financial Condition - The Special Revenue, Mental Health Fund had a deficit fund balance (on a modified accrual basis) of \$1,371,496 at June 30, 2011.

Recommendation – Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans or other formal short-term debt instruments or obligations.

The County should investigate alternatives to eliminate the deficit fund balance in order to return the fund to a sound financial position.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – The Butler County Auditor reports there was a sufficient cash balance in the Mental Health Fund to cover said expenditures. To cover the fiscal Year 2011 accrued expenditures of the Mental Health Fund, receivables from the other 4 member counties should have been collected more timely. The County Auditor and Central Point Coordinator will monitor the Mental Health Fund balance more closely to ensure an adequate balance is available to cover accruals.

Conclusion – Response accepted.

IV-L-11 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, 2011 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.

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.

Response – The Butler County Extension Council does review the financial statements and monthly reports and oversees the financial transactions of the office. We continue to look at ways to improve internal control.

Conclusion – Response accepted.

Butler County

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Kelly L. Hilton, Staff Auditor
Russell G. Jordan, Assistant Auditor
Wesley Large, Auditor Intern

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

Andrew E. Nielsen, CPA
Deputy Auditor of State