



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 19, 2015

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Auditor of State Mary Mosiman today released an audit report on Butler County, Iowa.

The County had local tax revenue of \$22,308,766 for the year ended June 30, 2014, which included \$1,334,002 in tax credits from the state. The County forwarded \$15,897,440 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,411,326 of the local tax revenue to finance County operations, a 6.2% increase over the prior year. Other revenues included charges for service of \$1,425,683, operating grants, contributions and restricted interest of \$26,654,900, capital grants, contributions and restricted interest of \$2,809,838, local option sales tax of \$435,912, unrestricted investment earnings of \$168,718 and other general revenues of \$469,602.

Expenses for County operations for the year ended June 30, 2014 totaled \$35,221,594, a 6.1% increase over the prior year. Expenses included \$21,001,701 for mental health, \$6,517,716 for roads and transportation and \$2,188,224 for county environment and education.

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/1410-0012-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, 2014

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	27
Notes to Financial Statements		28-43
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		46
Budget to GAAP Reconciliation		47
Notes to Required Supplementary Information – Budgetary Reporting		48
Schedule of Funding Progress for the Retiree Health Plan		49
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	52-53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	54-55
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	56-57
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	58-59
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	60-61
Schedule of Expenditures of Federal Awards	6	62
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		63-64
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133		67-68
Schedule of Findings and Questioned Costs		69-75
Staff		76

Butler County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Heidenwirth	Board of Supervisors	Jan 2015
Mark Reiher	Board of Supervisors	Jan 2015
Rex Ackerman	Board of Supervisors	Jan 2017
Lizabeth (Liz) Williams	County Auditor	Jan 2017
Vicki Schoneman	County Treasurer	Nov 2014
Janice Jacobs	County Recorder	Jan 2015
Jason Johnson	County Sheriff	Jan 2017
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:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Butler County as of June 30, 2014, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Butler County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2015 on our consideration of Butler County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 in considering Butler County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 18, 2015

Butler County

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, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Governmental activities revenues increased \$4,164,057, or 12.2%, from fiscal year 2013 to fiscal year 2014. Operating grants, contributions and restricted interest increased \$2,610,164, or 11.0%, and capital grants, contributions and restricted interest increased \$932,173, or 49.6%.
- Governmental activities expenses increased \$2,012,131, or 6.1%, from fiscal year 2013 to fiscal year 2014. County environment and education expenses increased \$1,397,365 and roads and transportation expenses increased \$493,550.
- Net position increased 10.1%, or \$3,154,385, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Fund Financial Statements

The County has 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, 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

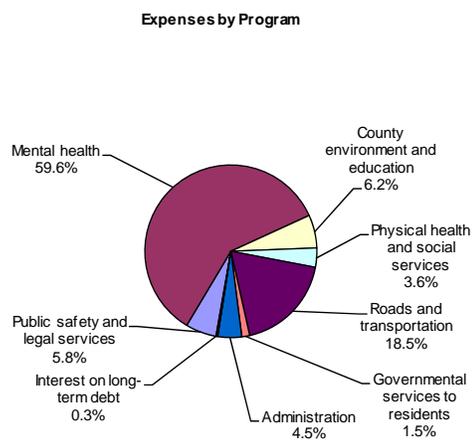
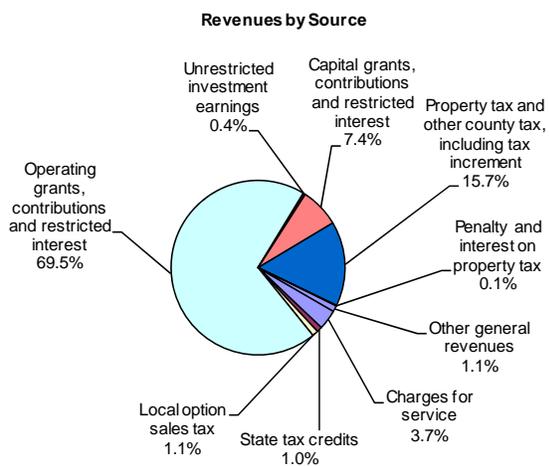
As noted earlier, net position may serve over time as a useful indicator of financial position. Butler County's net position at June 30, 2014 totaled \$34,386,870. This compares to \$31,232,485 at the end of fiscal year 2013. The analysis that follows focuses on the net position of governmental activities.

Net Position of Governmental Activities		
	June 30,	
	2014	2013
Current and other assets	\$ 19,176,673	17,255,729
Capital assets	29,562,291	28,054,272
Total assets	48,738,964	45,310,001
Long-term liabilities	5,247,219	3,971,038
Other liabilities	2,761,875	4,096,478
Total liabilities	8,009,094	8,067,516
Deferred inflows of resources	6,343,000	6,010,000
Net position:		
Net investment in capital assets	26,651,848	24,844,272
Restricted	6,864,327	4,312,614
Unrestricted	870,695	2,075,599
Total net position	\$ 34,386,870	31,232,485

Net position of Butler County's governmental activities increased approximately \$3.2 million (\$34,386,870 compared to \$31,232,485). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased \$2,551,713, or 59.2%, from June 30, 2013 to June 30, 2014. Net position restricted for mental health purposes increased \$2,149,957 due to increased intergovernmental revenues. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – is \$870,695 at June 30, 2014. Unrestricted net position decreased \$1,204,904, or 58.1%, from June 30, 2013 to June 30, 2014. Unrestricted net position decreased primarily due to the issuance of \$1,600,000 of general obligation urban renewal bonds for extending the natural gas pipeline to the Logistics Park.

Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 1,425,683	1,428,207
Operating grants, contributions and restricted interest	26,654,900	23,782,646
Capital grants, contributions and restricted interest	2,809,838	1,877,665
General revenues:		
Property and other county tax, including tax increment financing	6,043,821	5,727,697
Penalty and interest on property tax	49,954	45,381
State tax credits	367,505	311,792
Local option sales tax	435,912	475,028
Unrestricted investment earnings	168,718	142,484
Other general revenues	419,648	421,022
Total revenues	38,375,979	34,211,922
Program expenses:		
Public safety and legal services	2,026,539	2,015,410
Physical health and social services	1,276,986	1,256,088
Mental health	21,001,701	20,907,402
County environment and education	2,188,224	790,859
Roads and transportation	6,517,716	6,024,166
Governmental services to residents	523,254	495,911
Administration	1,572,176	1,607,003
Non-program	-	36,118
Interest on long-term debt	114,998	76,506
Total expenses	35,221,594	33,209,463
Change in net position	3,154,385	1,002,459
Net position beginning of year	31,232,485	30,230,026
Net position end of year	\$ 34,386,870	31,232,485



Butler County increased the debt service tax levy rate \$0.01575 per \$1,000 of taxable valuation for fiscal year 2014 and the county services (mental health) property tax levy rate decreased \$0.02136 per \$1,000 of taxable valuation. Property tax revenue for fiscal year 2014 was budgeted to increase approximately \$235,000, primarily due to an increase in property valuations.

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 2014 with a fund balance of \$3,383,273. This was a \$376,672 increase over fiscal year 2013, which ended at \$3,006,601. Revenues increased \$417,798, or 7.6%, and expenditures increased \$320,189, or 6.2%.
- The Special Revenue, Mental Health Fund balance ended fiscal year 2014 with a fund balance of \$2,270,699. This was an increase over fiscal year 2013, which ended with a balance of (\$429,226), primarily due to an increase in contributions received from member counties of the County Social Services consortium being administered through Butler County's Mental Health Fund.
- The Special Revenue, Rural Services Fund ended fiscal year 2014 with a fund balance of \$701,897, an increase of \$35,729 over the ending balance for fiscal year 2013, which ended with a balance of \$666,168.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2014 with a fund balance of \$2,896,601. This is an increase of \$558,521 over the ending balance for fiscal year 2013, which ended with a balance of \$2,338,080. Revenues increased \$379,943, or 10.9%, and expenditures increased \$162,583, or 3.3%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Butler County amended its budget three times. The first amendment was made in October 2013 and resulted in an increase in budgeted disbursements of \$1,614,102, primarily for the capital projects function for the urban renewal pipeline project and an increase in long-term debt proceeds.

The second amendment occurred in March 2014. This amendment resulted in increased budgeted disbursements of \$22,872,522, primarily to cover increased costs of administering mental health and disability services. Intergovernmental receipts were increased \$23,371,419 for contributions from additional member counties.

The third amendment was made in May 2014. This amendment resulted in decreased budgeted disbursements of \$18,892,868, primarily to correct an error made to the mental health function in the second amendment. The error also resulted in the need to decrease budgeted intergovernmental receipts by \$23,270,801.

The County's receipts were \$5,079,284 more than budgeted, a variance of 16.0%, primarily due to uncertainty in estimating receipts for County Social Services (a consortium for administering mental health and disability services for twenty-one member counties at June 30, 2014).

Total disbursements were \$2,564,812 less than the amended budget. Capital projects disbursements were \$958,852 less than budgeted due to slower than anticipated progress on road paving and resurfacing projects. Mental health disbursements were \$464,878 less than budgeted due to uncertainty in estimating the costs for County Social Services, as well as anticipated savings due to efficiencies of the consortium. The remaining decrease of \$1,141,082 was accomplished by reduced spending in other functional areas.

Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted. Disbursements exceeded the amount appropriated in one department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Butler County had approximately \$29.6 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 \$1.5 million over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2014	2013
Land	\$ 985,469	845,778
Construction in progress	309,598	379,083
Buildings	1,635,916	1,674,978
Improvements other than buildings	66,435	33,350
Equipment and vehicles	2,915,063	3,349,612
Infrastructure	23,649,810	21,771,471
Total	<u>\$ 29,562,291</u>	<u>28,054,272</u>
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation	\$	2,687,423
Purchase of land for the Conservation Department		139,691
Purchase of vehicles for the Sheriff's Office		75,649
County farm tiling		36,118
Purchase of servers and other computer equipment		31,415
Total		<u>\$ 2,970,296</u>

The County had depreciation expense of \$1,963,996 in fiscal year 2014 and total accumulated depreciation of approximately \$15.8 million at June 30, 2014. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2014, Butler County had approximately \$4.510 million of outstanding general obligation debt, compared to approximately \$3.334 million of long-term debt at June 30, 2013.

Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2014	2013
General obligation capital loan notes	\$ 90	124
General obligation urban renewal bonds	3,390	1,930
General obligation bonds	1,030	1,280
Total	\$ 4,510	3,334

Debt increased as a result of issuing \$1,600,000 of general obligation urban renewal bonds to fund the extension of a gas line in Butler County Logistics Park.

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 \$64 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 2015 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County at June 30, 2014 was 3.5%, a decrease from the June 30, 2013 rate of 4.2%.

Butler County's unemployment rate was lower than the State's unemployment rate of 4.4%, and the national rate of 6.1% for the same period.

Fiscal year 2015 budgeted receipts decreased \$1,965,544 while budgeted disbursements increased \$1,410,890 compared to fiscal year 2014 actuals. If the budget estimates are realized, the County's fund balances are expected to decrease approximately \$2.3 million by the close of fiscal year 2015.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Butler County

Basic Financial Statements

Exhibit A

Butler County
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 9,993,889
Receivables:	
Property tax:	
Delinquent	5,830
Succeeding year	6,279,000
Succeeding year tax increment financing	64,000
Interest and penalty on property tax	17,519
Accounts	43,106
Economic development loans	64,014
E911 lease	90,443
Due from other governments	1,837,709
Inventories	597,154
Prepaid items	184,009
Capital assets, net of accumulated depreciation	29,562,291
Total assets	<u>48,738,964</u>
Liabilities	
Accounts payable	1,869,550
Salaries and benefits payable	130,012
Accrued interest payable	10,744
Due to other governments	751,569
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	35,068
General obligation bonds	390,000
Compensated absences	313,328
Portion due or payable after one year:	
General obligation capital loan notes	55,375
General obligation bonds	4,030,000
Compensated absences	72,248
Net OPEB liability	351,200
Total liabilities	<u>8,009,094</u>
Deferred Inflows of Resources	
Unavailable revenues:	
Succeeding year property tax	6,279,000
Succeeding year tax increment financing	64,000
Total deferred inflows of resources	<u>6,343,000</u>
Net Position	
Net investment in capital assets	26,651,848
Restricted for:	
Supplemental levy purposes	138,605
Mental health purposes	2,271,206
Rural services purposes	678,676
Secondary roads purposes	2,650,229
Conservation purposes	654,713
Other purposes	470,898
Unrestricted	870,695
Total net position	<u>\$ 34,386,870</u>

See notes to financial statements.

Butler County
Statement of Activities
Year ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,026,539	208,370	2,905	-	(1,815,264)
Physical health and social services	1,276,986	600,470	360,354	-	(316,162)
Mental health	21,001,701	6,789	22,683,184	-	1,688,272
County environment and education	2,188,224	45,754	138,041	27,165	(1,977,264)
Roads and transportation	6,517,716	117,238	3,442,834	2,782,673	(174,971)
Governmental services to residents	523,254	262,591	26,611	-	(234,052)
Administration	1,572,176	184,471	971	-	(1,386,734)
Interest on long-term debt	114,998	-	-	-	(114,998)
Total	\$ 35,221,594	1,425,683	26,654,900	2,809,838	(4,331,173)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,773,189
Debt service					212,605
Tax increment financing					58,027
Penalty and interest on property tax					49,954
State tax credits					367,505
Local option sales tax					435,912
Unrestricted investment earnings					168,718
Rent					198,462
Gain on disposal of capital assets					9,731
Miscellaneous					211,455
Total general revenues					7,485,558
Change in net position					3,154,385
Net position beginning of year					31,232,485
Net position end of year					\$ 34,386,870

See notes to financial statements.

Butler County
Balance Sheet
Governmental Funds

June 30, 2014

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 3,035,857	3,472,613	679,073
Receivables:			
Property tax:			
Delinquent	4,848	507	192
Succeeding year	3,612,000	359,000	1,890,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	17,519	-	-
Accounts	32,648	9,355	-
Economic development loans	-	-	-
E911 lease	90,443	-	-
Due from other funds	48,633	-	-
Due from other governments	206,046	1,200,116	37,024
Inventories	-	-	-
Prepaid items	99,036	-	-
Total assets	\$ 7,147,030	5,041,591	2,606,289
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 44,151	1,659,926	5,068
Salaries and benefits payable	79,022	21	9,035
Due to other funds	-	3,918	-
Due to other governments	3,721	747,520	97
Total liabilities	126,894	2,411,385	14,200
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,612,000	359,000	1,890,000
Succeeding year tax increment financing	-	-	-
Other	24,863	507	192
Total deferred inflows of resources	3,636,863	359,507	1,890,192
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	99,036	-	-
Restricted for:			
Supplemental levy purposes	213,250	-	-
Mental health purposes	-	2,270,699	-
Rural services purposes	-	-	701,897
Secondary roads purposes	-	-	-
Resource enhancement and protection	-	-	-
Conservation land acquisition	290,124	-	-
Conservation trust	-	-	-
Jail and courthouse security	68,675	-	-
Capital projects	-	-	-
Other purposes	169,627	-	-
Unassigned	2,542,561	-	-
Total fund balances	3,383,273	2,270,699	701,897
Total liabilities, deferred inflows of resources and fund balances	\$ 7,147,030	5,041,591	2,606,289

See notes to financial statements.

Secondary Roads	Nonmajor	Total
2,104,238	702,108	9,993,889
-	283	5,830
-	418,000	6,279,000
-	64,000	64,000
-	-	17,519
1,103	-	43,106
-	64,014	64,014
-	-	90,443
-	-	48,633
394,523	-	1,837,709
597,154	-	597,154
84,973	-	184,009
<u>3,181,991</u>	<u>1,248,405</u>	<u>19,225,306</u>
160,405	-	1,869,550
41,414	520	130,012
-	44,715	48,633
231	-	751,569
<u>202,050</u>	<u>45,235</u>	<u>2,799,764</u>
-	418,000	6,279,000
-	64,000	64,000
83,340	64,108	173,010
<u>83,340</u>	<u>546,108</u>	<u>6,516,010</u>
597,154	-	597,154
84,973	-	184,009
-	-	213,250
-	-	2,270,699
-	-	701,897
2,214,474	-	2,214,474
-	113,126	113,126
-	-	290,124
-	248,967	248,967
-	-	68,675
-	141,467	141,467
-	194,223	363,850
-	(40,721)	2,501,840
<u>2,896,601</u>	<u>657,062</u>	<u>9,909,532</u>
<u>3,181,991</u>	<u>1,248,405</u>	<u>19,225,306</u>

Butler County

Butler County

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

June 30, 2014

Total governmental fund balances (page 21) \$ 9,909,532

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$45,340,444 and the accumulated depreciation is \$15,778,153. 29,562,291

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 173,010

Long-term liabilities, including general obligation bonds and capital loan notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (5,257,963)

Net position of governmental activities (page 18) \$ 34,386,870

See notes to financial statements.

Butler County

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

Year ended June 30, 2014

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,509,431	367,148	1,893,424
Local option sales tax	-	-	217,956
Interest and penalty on property tax	49,954	-	-
Intergovernmental	1,225,684	23,098,932	258,505
Licenses and permits	23,729	-	6,620
Charges for service	447,870	6,789	-
Use of money and property	320,899	14,080	-
Miscellaneous	321,296	214,677	2,092
Total revenues	5,898,863	23,701,626	2,378,597
Expenditures:			
Operating:			
Public safety and legal services	1,524,796	-	500,589
Physical health and social services	1,264,472	-	-
Mental health	-	21,001,701	-
County environment and education	397,629	-	282,454
Roads and transportation	-	-	50,000
Governmental services to residents	495,574	-	9,825
Administration	1,550,620	-	-
Debt service	38,941	-	-
Capital projects	218,286	-	-
Total expenditures	5,490,318	21,001,701	842,868
Excess (deficiency) of revenues over (under) expenditures	408,545	2,699,925	1,535,729
Other financing sources (uses):			
Sale of capital assets	8,331	-	-
Transfers in	79,796	-	-
Transfers out	(120,000)	-	(1,500,000)
General obligation urban renewal bonds issued	-	-	-
Discount on general obligation urban renewal bonds issued	-	-	-
Total other financing sources (uses)	(31,873)	-	(1,500,000)
Change in fund balances	376,672	2,699,925	35,729
Fund balances beginning of year	3,006,601	(429,226)	666,168
Fund balances end of year	\$ 3,383,273	2,270,699	701,897

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	270,617	6,040,620
217,956	-	435,912
-	-	49,954
3,424,127	119,541	28,126,789
8,085	-	38,434
63,155	2,969	520,783
50	75,798	410,827
160,505	9,540	708,110
3,873,878	478,465	36,331,429
-	200	2,025,585
-	-	1,264,472
-	-	21,001,701
-	46,546	726,629
4,762,337	-	4,812,337
-	-	505,399
-	-	1,550,620
-	495,795	534,736
346,984	1,364,402	1,929,672
5,109,321	1,906,943	34,351,151
(1,235,443)	(1,428,478)	1,980,278
1,400	-	9,731
1,792,564	80,969	1,953,329
-	(333,329)	(1,953,329)
-	1,600,000	1,600,000
-	(11,228)	(11,228)
1,793,964	1,336,412	1,598,503
558,521	(92,066)	3,578,781
2,338,080	749,128	6,330,751
2,896,601	657,062	9,909,532

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, 2014

Change in fund balances - Total governmental funds (page 25) \$ 3,578,781

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	\$ 784,592	
Capital assets contributed by the Iowa Department of Transportation	2,687,423	
Depreciation expense	<u>(1,963,996)</u>	1,508,019

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

Property tax	3,201	
Other	<u>(655,805)</u>	(652,604)

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

Issued	(1,600,000)	
Repaid	<u>423,368</u>	(1,176,632)

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	(15,849)	
Other postemployment benefits	(83,700)	
Interest on long-term debt	<u>(3,630)</u>	(103,179)

Change in net position of governmental activities (page 19) \$ 3,154,385

See notes to financial statements.

Butler County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

Assets

Cash and pooled investments:

County Treasurer	\$ 1,357,111
Other County officials	112,018

Receivables:

Property tax:

Delinquent	27,130
Succeeding year	15,344,000

Accounts	12,112
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Special assessments	93,250
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Due from other governments	49,348
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Total assets	16,994,969
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Liabilities

Accounts payable	101,495
------------------	---------

Salaries and benefits payable	5,197
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Due to other governments	16,775,869
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Trusts payable	98,963
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Compensated absences	13,445
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Total liabilities	16,994,969
--------------------------	------------

Net position	\$ -
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See notes to financial statements.

Butler County

Notes to Financial Statements

June 30, 2014

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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, intellectual disabilities 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 Fund and the Special Revenue, Rural Services Fund 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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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, 2014, 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 Position. 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.

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, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

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

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

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables that will not be recognized as revenue until the year for which it is levied.

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, 2014, disbursements did not exceed the amounts budgeted. However, disbursements in one department exceeded the amount appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa/Public Agency Investment Trust which are valued at an amortized cost of \$245,316 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, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Sheriff's Commissary and Telephone	\$ 9,059
	Debt Service	38,430
	Capital Projects	32,307
		<u>79,796</u>
Special Revenue:	General	120,000
Secondary Roads	Special Revenue:	
	Rural Services	1,500,000
	Capital Projects	172,564
		<u>1,792,564</u>
Debt Service	Special Revenue:	
	Logistics Tax Increment Financing	80,969
Total		<u><u>\$ 3,825,689</u></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, 2014 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	\$ 845,778	139,691	-	985,469
Construction in progress, road network	379,083	3,041,622	(3,111,107)	309,598
Total capital assets not being depreciated	<u>1,224,861</u>	<u>3,181,313</u>	<u>(3,111,107)</u>	<u>1,295,067</u>
Capital assets being depreciated:				
Buildings	3,528,021	-	-	3,528,021
Improvements other than buildings	39,702	36,118	-	75,820
Equipment and vehicles	10,237,434	254,584	(182,093)	10,309,925
Infrastructure, road network	25,396,465	3,111,107	-	28,507,572
Infrastructure, other	1,624,039	-	-	1,624,039
Total capital assets being depreciated	<u>40,825,661</u>	<u>3,401,809</u>	<u>(182,093)</u>	<u>44,045,377</u>
Less accumulated depreciation for:				
Buildings	1,853,043	39,062	-	1,892,105
Improvements other than buildings	6,352	3,033	-	9,385
Equipment and vehicles	6,887,822	689,133	(182,093)	7,394,862
Infrastructure, road network	5,035,138	1,199,101	-	6,234,239
Infrastructure, other	213,895	33,667	-	247,562
Total accumulated depreciation	<u>13,996,250</u>	<u>1,963,996</u>	<u>(182,093)</u>	<u>15,778,153</u>
Total capital assets being depreciated, net	<u>26,829,411</u>	<u>1,437,813</u>	<u>-</u>	<u>28,267,224</u>
Governmental activities capital assets, net	<u>\$ 28,054,272</u>	<u>4,619,126</u>	<u>(3,111,107)</u>	<u>29,562,291</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 52,951
County environment and education	59,616
Roads and transportation	1,779,110
Governmental services to residents	11,724
Administration	60,595
Total depreciation expense - governmental activities	<u>\$ 1,963,996</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 3,721
Special Revenue:		
Mental Health	Services	747,520
Rural Services		97
Secondary Roads		231
		<u>747,848</u>
Total for governmental funds		<u>\$ 751,569</u>
Agency:		
County Agricultural Extension	Collections	\$ 126,829
County Assessor		618,784
Schools		10,029,665
Community Colleges		658,333
Corporations		4,324,750
Townships		219,268
City Special Assessments		94,905
Auto License and Use Tax		388,617
Empowerment Board		144,961
All other		169,757
Total for agency funds		<u>\$ 16,775,869</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	General Obligation Capital Loan Notes	General Obligation Urban Renewal Bonds	General Obligation Bonds	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 123,811	1,930,000	1,280,000	369,727	267,500	3,971,038
Increases	-	1,600,000	-	392,463	87,500	2,079,963
Decreases	33,368	140,000	250,000	376,614	3,800	803,782
Balance end of year	<u>\$ 90,443</u>	<u>3,390,000</u>	<u>1,030,000</u>	<u>385,576</u>	<u>351,200</u>	<u>5,247,219</u>
Due within one year	\$ 35,068	140,000	250,000	313,328	-	738,396

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 of \$18,600 is payable on May 1, 2016. The principal balance of the notes at June 30, 2014 totaled \$90,443.

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 for the Butler County Logistics Park Urban Renewal Area, including roadway reclamations, paving and right-of-way improvements. These bonds are payable from a continuing annual levy of property tax against all taxable property of the County.

On September 4, 2013, the County issued \$1,600,000 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 for the Butler County Logistics Park Urban Renewal Area extending a gas line. These bonds are payable from a continuing annual levy of property tax against all taxable property of the County.

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

Year Ending June 30,	Issued August 31, 2010			Issued Sept 4, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	1.60%	\$ 140,000	49,450	1.50%	\$ 50,000	52,510
2016	1.80	145,000	47,210	1.50	80,000	51,760
2017	2.10	145,000	44,600	3.00	80,000	50,560
2018	2.40	150,000	41,555	3.00	85,000	48,160
2019	2.60	155,000	37,955	3.00-3.60	865,000	178,495
2020-2024	2.80-3.40	860,000	120,035	3.80-4.00	440,000	26,380
2025-2026	3.50	195,000	6,825		-	-
Total		\$ 1,790,000	347,630		\$ 1,600,000	460,375

Year Ending June 30,	Total		
	Principal	Interest	Total
2015	\$ 140,000	49,450	189,450
2016	145,000	47,210	192,210
2017	145,000	44,600	189,600
2018	150,000	41,555	191,555
2019	155,000	37,955	192,955
2020-2024	860,000	120,035	980,035
2025-2026	195,000	6,825	201,825
Total	\$ 1,790,000	347,630	2,137,630

During the year ended June 30, 2014, the County issued \$1,600,000 of general obligation urban renewal bonds, retired \$140,000 of general obligation urban renewal bonds and paid interest of \$90,355 on the bonds.

General Obligation Bonds

On September 27, 2011, the County issued \$1,530,000 of general obligation bonds for the purpose 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. Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	1.00%	\$ 250,000	13,440	263,440
2016	1.20	255,000	10,940	265,940
2017	1.40	260,000	7,880	267,880
2018	1.60	265,000	4,240	269,240
Total		\$ 1,030,000	36,500	1,066,500

During the year ended June 30, 2014, \$250,000 of general obligation bonds were retired and \$15,440 of interest was paid.

(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 and a final payment of \$18,600 on May 1, 2016 to the County, amounts equal to the payments 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 at 5% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2014.

Year Ending June 30,	Amount
2015	\$ 38,941
2016	57,542
Total minimum lease payments	96,483
Less amount representing interest	(6,040)
Present value of net minimum lease payments	\$ 90,443

(8) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Mental Health	\$ 3,918
	Debt Service	44,715
Total		\$ 48,633

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(9) Economic Development Revolving Loan Fund

The County has twelve economic development loans receivable totaling \$64,014 at June 30, 2014 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.

(10) 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 5.95% of their annual covered salary and the County is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$414,660, \$389,608 and \$363,383, respectively, equal to the required contributions for each year.

(11) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 90 active and 4 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, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 97,900
Interest on net OPEB obligation	6,700
Adjustment to annual required contribution	(17,100)
Annual OPEB cost	<u>87,500</u>
Contributions made	(3,800)
Increase in net OPEB obligation	<u>83,700</u>
Net OPEB obligation beginning of year	267,500
Net OPEB obligation end of year	<u><u>\$ 351,200</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, 2014.

For the year ended June 30, 2014, the County contributed \$3,800 to the medical plan. Plan members eligible for benefits contributed \$35,785, or 90% 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 64,589	0.0%	\$ 178,735
2013	91,865	3.4	267,500
2014	87,500	4.3	351,200

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2014, the actuarial accrued liability was \$688,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$688,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,644,000 and the ratio of the UAAL to covered payroll was 14.8%. As of June 30, 2014, 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, presents 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, 2012 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 \$537 to \$1,771 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.

(12) 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 700 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 not to exceed 300% 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, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the 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, 2014 were \$169,550.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 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.

(13) 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 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 administrator for service fees and medical claims for the year ended June 30, 2014 were \$10,629.

(14) County Social Services

The County is a member of County Social Services (CSS), a consortium established in accordance with the provisions of Chapters 28E and 331.440(3) of the Code of Iowa for the purpose of administering mental health and disability services for its member counties. The member counties are Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth and Wright. Pursuant to the consortium agreement, Butler County is the fiscal agent for the consortium. Each member county is represented on the consortium board, which is responsible for administering the consortium.

In the County's role of fiscal agent for CSS, 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.

(15) Deficit Fund Balance

The Debt Service Fund had a deficit balance of \$40,721 at June 30, 2014. The deficit balance was the result of initial debt payments prior to levying property tax. The deficit will be eliminated through future tax collections.

(16) Early Childhood Iowa Area Board

Butler County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the Area Board. The Area Board's financial data for the year ended June 30, 2014 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early Childhood	\$ 60,836	-	60,836
Family support and parent education	-	260,600	260,600
Preschool support for low-income families	-	114,422	114,422
Quality improvement	-	59,922	59,922
Allocation for administration	3,202	14,298	17,500
Other grant programs	-	27,814	27,814
Total state grants	64,038	477,056	541,094
Interest on investments	130	955	1,085
Total revenues	64,168	478,011	542,179
Expenditures:			
Program services:			
Early childhood	62,023	-	62,023
Family support and parent education	-	253,293	253,293
Preschool support for low income families	-	87,271	87,271
Quality improvement	-	59,157	59,157
Other program services	-	29,826	29,826
Total program services	62,023	429,547	491,570
Administration	3,237	15,549	18,786
Total expenditures	65,260	445,096	510,356
Change in fund balance	(1,092)	32,915	31,823
Fund balance beginning of year	6,303	61,299	67,602
Fund balance end of year	\$ 5,211	94,214	99,425

(17) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.

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, 2014

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 6,569,992	6,575,141	6,575,141	(5,149)
Interest and penalty on property tax	49,954	8,000	8,000	41,954
Intergovernmental	28,432,840	23,663,670	23,764,288	4,668,552
Licenses and permits	37,680	15,600	15,600	22,080
Charges for service	513,835	506,330	506,330	7,505
Use of money and property	453,093	432,289	432,289	20,804
Miscellaneous	715,063	391,525	391,525	323,538
Total receipts	36,772,457	31,592,555	31,693,173	5,079,284
Disbursements:				
Public safety and legal services	2,028,803	2,181,267	2,190,597	161,794
Physical health and social services	1,256,257	1,398,725	1,416,225	159,968
Mental health	22,252,644	19,015,413	22,717,522	464,878
County environment and education	734,394	890,897	1,016,097	281,703
Roads and transportation	4,836,695	4,945,200	4,945,200	108,505
Governmental services to residents	503,613	532,345	557,345	53,732
Administration	1,602,322	1,696,912	1,775,312	172,990
Non-program	36,118	230,000	238,500	202,382
Debt service	534,737	495,800	534,745	8
Capital projects	1,928,920	1,299,000	2,887,772	958,852
Total disbursements	35,714,503	32,685,559	38,279,315	2,564,812
Excess (deficiency) of receipts over (under) disbursements	1,057,954	(1,093,004)	(6,586,142)	7,644,096
Other financing sources, net	1,598,503	-	1,588,772	9,731
Balance beginning of year	7,337,432	12,646,366	12,646,366	(5,308,934)
Balance end of year	\$ 9,993,889	11,553,362	7,648,996	2,344,893

See accompanying independent auditor's report.

Butler County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 36,772,457	(441,028)	36,331,429
Expenditures	35,714,503	(1,363,352)	34,351,151
Net	1,057,954	922,324	1,980,278
Other financing sources, net	1,598,503	-	1,598,503
Beginning fund balances	7,337,432	(1,006,681)	6,330,751
Ending fund balances	\$ 9,993,889	(84,357)	9,909,532

See accompanying independent auditor's report.

Butler County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$5,593,756. 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, 2014, disbursements did not exceed the amounts budgeted by function. However, disbursements in one department exceeded the amount appropriated.

Butler County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)			
2010	Jul 1, 2009	-	\$ 576	576	0.0%	\$ 4,345	13.3%
2011	Jul 1, 2009	-	569	569	0.0	4,468	12.7
2012	Jul 1, 2009	-	534	534	0.0	4,356	12.3
2013	Jul 1, 2012	-	700	700	0.0	4,504	15.5
2014	Jul 1, 2012	-	688	688	0.0	4,644	14.8

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Butler County

Butler County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Economic Development Revolving Loan	Seized and Forfeited Property	Sesquicentennial Memorial	Special County Recorder's Records Management
Assets				
Cash and pooled investments	\$ 161,203	9,337	744	19,971
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year property tax	-	-	-	-
Succeeding year tax increment financing	-	-	-	-
Economic development loans	64,014	-	-	-
Total assets	\$ 225,217	9,337	744	19,971
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Salaries and benefits payable	\$ -	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	-	-
Succeeding year tax increment financing	-	-	-	-
Other	63,825	-	-	-
Total deferred inflows of resources	63,825	-	-	-
Fund balances:				
Restricted for:				
Resource enhancement and protection	-	-	-	-
Conservation trust	-	-	-	-
Capital projects	-	-	-	-
Other purposes	161,392	9,337	744	19,971
Unassigned	-	-	-	-
Total fund balances	161,392	9,337	744	19,971
Total liabilities deferred inflows of resources and fund balances	\$ 225,217	9,337	744	19,971

See accompanying independent auditor's report.

Revenue							
DARE Program	Canine	Conservation Trust	Resource Enhancement and Protection	Logistics Tax Increment Financing	Debt Service	Capital Projects	Total
1,205	1,461	248,967	113,646	113	3,994	141,467	702,108
-	-	-	-	-	283	-	283
-	-	-	-	-	418,000	-	418,000
-	-	-	-	64,000	-	-	64,000
-	-	-	-	-	-	-	64,014
1,205	1,461	248,967	113,646	64,113	422,277	141,467	1,248,405
-	-	-	520	-	-	-	520
-	-	-	-	-	44,715	-	44,715
-	-	-	520	-	44,715	-	45,235
-	-	-	-	-	418,000	-	418,000
-	-	-	-	64,000	-	-	64,000
-	-	-	-	-	283	-	64,108
-	-	-	-	64,000	418,283	-	546,108
-	-	-	113,126	-	-	-	113,126
-	-	248,967	-	-	-	-	248,967
-	-	-	-	-	-	141,467	141,467
1,205	1,461	-	-	113	-	-	194,223
-	-	-	-	-	(40,721)	-	(40,721)
1,205	1,461	248,967	113,126	113	(40,721)	141,467	657,062
1,205	1,461	248,967	113,646	64,113	422,277	141,467	1,248,405

Butler County

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

Year ended June 30, 2014

	Economic Development Revolving Loan	Sheriffs Commissary and Telephone	Seized and Forfeited Property	Special Sesquicentennial Memorial
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Use of money and property	44,444	-	-	4
Miscellaneous	-	-	-	-
Total revenues	44,444	-	-	4
Expenditures:				
Operating:				
Public safety and legal services	-	-	200	-
County environment and education	40,000	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	40,000	-	200	-
Excess (deficiency) of revenues over (under) expenditures	4,444	-	(200)	4
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(9,059)	-	-
General obligation urban renewal bonds issued	-	-	-	-
Discount on general obligation urban renewal bonds issued	-	-	-	-
Total other financing sources (uses)	-	(9,059)	-	-
Change in fund balances	4,444	(9,059)	(200)	4
Fund balances beginning of year	156,948	9,059	9,537	740
Fund balances end of year	\$ 161,392	-	9,337	744

See accompanying independent auditor's report.

Revenue									
County Recorder's Records Management	DARE Program	Canine	Conservation Trust	Resource Enhancement and Protection	Logistics Tax Increment Financing	Debt Service	Capital Projects	Total	
-	-	-	-	-	58,027	212,590	-	270,617	
-	-	-	-	14,561	502	12,997	91,481	119,541	
2,969	-	-	-	-	-	-	-	2,969	
94	-	-	22,501	570	243	1,243	6,699	75,798	
-	-	-	9,540	-	-	-	-	9,540	
3,063	-	-	32,041	15,131	58,772	226,830	98,180	478,465	
-	-	-	-	-	-	-	-	200	
-	-	-	598	5,948	-	-	-	46,546	
-	-	-	-	-	-	495,795	-	495,795	
-	-	-	-	-	-	-	1,364,402	1,364,402	
-	-	-	598	5,948	-	495,795	1,364,402	1,906,943	
3,063	-	-	31,443	9,183	58,772	(268,965)	(1,266,222)	(1,428,478)	
-	-	-	-	-	-	80,969	-	80,969	
-	-	-	-	-	(80,969)	(38,430)	(204,871)	(333,329)	
-	-	-	-	-	-	-	1,600,000	1,600,000	
-	-	-	-	-	-	-	(11,228)	(11,228)	
-	-	-	-	-	(80,969)	42,539	1,383,901	1,336,412	
3,063	-	-	31,443	9,183	(22,197)	(226,426)	117,679	(92,066)	
16,908	1,205	1,461	217,524	103,943	22,310	185,705	23,788	749,128	
19,971	1,205	1,461	248,967	113,126	113	(40,721)	141,467	657,062	

Butler County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

	Agricultural		County Assessor	Schools	Community Colleges
	County Offices	Extension Education			
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,678	294,409	154,531	10,549
Other County officials	112,018	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	151	518	14,134	784
Succeeding year	-	125,000	341,000	9,861,000	647,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 112,018	126,829	635,927	10,029,665	658,333
Liabilities					
Accounts payable	\$ -	-	-	-	-
Salaries and benefits payable	-	-	5,133	-	-
Due to other governments	13,055	126,829	618,784	10,029,665	658,333
Trusts payable	98,963	-	-	-	-
Compensated absences	-	-	12,010	-	-
Total liabilities	\$ 112,018	126,829	635,927	10,029,665	658,333

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Empowerment Board	Other	Total
161,230	3,248	1,655	388,617	243,396	97,798	1,357,111
-	-	-	-	-	-	112,018
11,520	20	-	-	-	3	27,130
4,152,000	216,000	-	-	-	2,000	15,344,000
-	-	-	-	-	12,112	12,112
-	-	93,250	-	-	-	93,250
-	-	-	-	-	49,348	49,348
4,324,750	219,268	94,905	388,617	243,396	161,261	16,994,969
-	-	-	-	98,435	3,060	101,495
-	-	-	-	-	64	5,197
4,324,750	219,268	94,905	388,617	144,961	156,702	16,775,869
-	-	-	-	-	-	98,963
-	-	-	-	-	1,435	13,445
4,324,750	219,268	94,905	388,617	243,396	161,261	16,994,969

Butler County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 107,658	111,103	614,262	10,431,172	675,297
Additions:					
Property and other county tax	-	125,222	341,813	9,579,179	630,206
E911 surcharge	-	-	-	-	-
State tax credits	-	6,848	23,497	619,305	39,822
Office fees and collections	306,925	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	127,074	-	-	-	-
Miscellaneous	-	-	240	-	-
Total additions	433,999	132,070	365,550	10,198,484	670,028
Deductions:					
Agency remittances:					
To other funds	130,281	-	-	-	-
To other governments	173,441	116,344	343,885	10,599,991	686,992
Trusts paid out	125,917	-	-	-	-
Total deductions	429,639	116,344	343,885	10,599,991	686,992
Balances end of year	\$ 112,018	126,829	635,927	10,029,665	658,333

See accompanying independent auditor's report.

Corpora- tions	Townships	City Special Assess- ments	Auto License and Use Tax	Empowerment Board	Other	Total
4,403,633	216,409	144,499	379,524	140,710	99,203	17,323,470
4,030,109	219,064	-	-	-	5,350	14,930,943
-	-	-	-	-	151,474	151,474
264,264	12,614	-	-	-	147	966,497
-	-	-	-	-	2,997	309,922
-	-	-	4,688,811	-	118	4,688,929
-	-	28,833	-	-	-	28,833
-	-	-	-	-	-	127,074
-	-	-	-	542,179	120,230	662,649
4,294,373	231,678	28,833	4,688,811	542,179	280,316	21,866,321
-	-	-	154,403	-	-	284,684
4,373,256	228,819	78,427	4,525,315	439,493	218,258	21,784,221
-	-	-	-	-	-	125,917
4,373,256	228,819	78,427	4,679,718	439,493	218,258	22,194,822
4,324,750	219,268	94,905	388,617	243,396	161,261	16,994,969

Butler County

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

For the Last Ten Years

	2014*	2013*	2012*	2011*
Revenues:				
Property and other county tax	\$ 6,040,620	5,824,270	5,697,329	5,114,544
Local option sales tax	435,912	475,028	410,548	462,876
Interest and penalty on property tax	49,954	45,381	41,774	48,872
Intergovernmental	28,126,789	24,263,804	37,301,942	27,394,705
Licenses and permits	38,434	22,980	19,470	15,030
Charges for service	520,783	527,185	649,824	478,693
Use of money and property	410,827	411,239	410,976	494,374
Miscellaneous	708,110	467,648	280,161	291,830
Total	\$ 36,331,429	32,037,535	44,812,024	34,300,924
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,025,585	1,974,728	1,985,563	1,811,092
Physical health and social services	1,264,472	1,232,634	1,321,121	1,440,316
Mental health	21,001,701	20,908,988	31,106,457	24,384,286
County environment and education	726,629	692,881	739,409	648,780
Roads and transportation	4,812,337	4,582,866	6,036,761	5,042,205
Governmental services to residents	505,399	472,805	471,289	428,521
Administration	1,550,620	1,528,108	1,476,114	1,501,098
Non-program	-	36,118	1,184	17,785
Debt service	534,736	493,776	238,647	77,372
Capital projects	1,929,672	522,641	1,975,248	2,277,336
Total	\$ 34,351,151	32,445,545	45,351,793	37,628,791

* Fiscal years 2011 through 2014 include the mental health activity of County Social Services.

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
4,916,248	4,799,419	4,251,927	3,743,826	3,561,583	3,464,513
442,994	480,410	484,244	400,484	361,660	355,695
47,053	36,458	32,746	31,670	31,023	34,668
5,797,705	7,530,529	6,125,937	5,382,914	5,374,120	5,316,619
15,565	15,653	14,649	9,635	12,145	11,565
481,389	453,012	464,111	454,952	472,080	435,257
413,591	383,842	446,133	401,199	320,098	257,798
241,445	301,275	339,052	233,974	224,330	293,094
12,355,990	14,000,598	12,158,799	10,658,654	10,357,039	10,169,209
1,762,804	1,666,888	1,578,721	1,510,726	1,425,712	1,382,591
1,423,468	1,329,711	1,354,701	1,384,986	1,383,611	1,184,164
1,305,470	1,294,403	1,411,156	1,446,563	1,285,834	1,165,030
671,898	686,139	664,791	616,714	624,155	561,758
4,451,830	5,245,618	4,028,374	3,970,296	3,975,554	3,747,559
446,943	414,465	389,465	386,920	447,203	450,844
1,351,304	1,210,085	1,232,630	1,142,270	1,103,411	1,099,842
39,702	200,000	7,017	7,018	-	60
38,942	38,941	38,941	38,941	69,658	49,334
643,210	2,019,732	977,440	725,176	936,339	512,391
12,135,571	14,105,982	11,683,236	11,229,610	11,251,477	10,153,573

Schedule 6

Butler County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

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		\$ 14,570
U.S. Department of the Interior:			
Iowa Department of Natural Resources:			
North American Wetlands Conservation Fund	15.623	F12AP00110-Mod1	75,000
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 14-402-M00P, Task 22-00-00	3,000
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			
	93.074	5884BT08	69,698
Immunization Cooperative Agreements	93.268	5883I410	2,789
Immunization Cooperative Agreements	93.268	5884I410	1,251
			4,040
Center for Disease Control and Prevention_			
Investigations and Technical Assistance	93.283	5884NB03	10,350
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs			
	93.566		31
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		4,243
Foster Care - Title IV-E	93.658		5,583
Adoption Assistance	93.659		1,869
Children's Health Insurance Program	93.767		61
Medical Assistance Program	93.778		24,185
Social Services Block Grant	93.667		4,567
Social Services Block Grant	93.667		1,517,624
			1,522,191
U.S. Department of Homeland Security:			
Iowa Homeland Security and Emergency Management Department:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
	97.036	FEMA 4126 DR IA	13,089
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
	97.036	FEMA 4135 DR IA	131,876
			144,965
Emergency Management Performance Grants	97.042	EMPG-14-PT-12	26,438
Total			\$ 1,906,224

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.



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Mary Mosiman, CPA
Auditor of State

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

To the Officials of Butler County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Butler County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 18, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be a material weakness 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items II-B-14 and II-C-14 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 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, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Butler County's Responses to the Findings

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

Purpose of this Report

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

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



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 18, 2015

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133**

Butler County



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

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Officials of Butler County:

Report on Compliance for Each Major Federal Program

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 its major federal program for the year ended June 30, 2014. Butler County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Butler County's major federal program based on our audit of the types of compliance requirements referred to above. 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 Sample 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 on compliance for the major federal program. However, our audit does not provide a legal determination of Butler County's compliance.

Opinion on Each Major Federal Program

In our opinion, Butler County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-14 in the accompanying Schedule of Findings and Questioned Costs. Our opinion on the major federal program is not modified with respect to this matter.

Butler County's response to the non-compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Butler County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

The management of Butler County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Butler County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Butler County
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness 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 unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding 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, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 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 County Sheriff's Office may have responsibilities for collection, deposit preparation and reconciliation functions which 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 County Sheriff should review the control procedures of the Office 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 and ensure personnel are cross-trained on duties of the Office.

Response – We may try to have two people examine and initial the reconciliation at the end of the month.

Conclusion – Response accepted.

II-B-14 County Sheriff – Gun permit monies and prisoner care monies received from the State of Iowa were not always deposited intact timely. Additionally, gun permits per the cashbook were not reconciled with the monthly gun permit report. Gun permits were not remitted to the County and State monthly as required.

Contract law enforcement receivables are not adequately tracked. The fourth quarter billings were not prepared timely.

Recommendation – All collections should be deposited intact timely. Gun permits per the cashbook should be reconciled with the monthly gun permit report. Gun permits should be remitted to the County and State monthly.

Contract law enforcement billings should be prepared timely and receivables should be reviewed to ensure all amounts have been collected.

Response – We will continue to try to improve in this area. Permit money will be remitted to the state monthly. Contract law enforcement billings will be sent out during the quarter rather than at the end of the quarter and payments will be tracked to ensure amounts billed have been collected.

Conclusion – Response accepted.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

II-C-14 Secondary Road Inventory – Detailed inventory records are maintained for reporting inventory at June 30. Inventory test counts performed by the auditors did not always agree with the County’s counts.

Recommendation – The inventory count should be performed by an independent individual on June 30 and reconciled to the inventory records.

Response – We will discuss with employees responsible for maintaining inventory and work toward more accurate tracking/counts of inventoried materials.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

**CFDA Number 93.667: Social Services Block Grant
Federal Award Year: 2014
U.S. Department of Health and Human Services
Passed through the Iowa Department of Human Services**

III-A-14 (2014-001) Supporting Documentation – The County Social Services (CSS) Board agreed to pay for infrastructure and start up costs related to establishing a Mental Health Provider since no provider existed in the County. The CSS Board minutes indicated amounts would be paid to the Mental Health Provider based on itemized receipts.

Payments totaling \$62,407 to the Mental Health Provider were not properly supported by itemized receipts. In addition, certain travel expense reports did not include sufficient detail to determine the purpose of the trip, origin, destination and miles driven.

Recommendation – The County should obtain itemized receipts for the payments made to the Provider or require repayment.

Response and Corrective Action Planned – CSS will request the itemized receipts from the vendor. If the itemized receipts are not provided, CSS will require repayment.

Conclusion – Response accepted.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted. Although the Board of Supervisors acted to increase certain department appropriations by amendment, disbursements exceeded the appropriation in the Resource Center department.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The Finance Deputy will run an appropriation report for the County Auditor to check on a monthly basis.

Conclusion – Response accepted.

IV-B-14 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-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-14 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	\$ 210
Mitch Nordmeyer, Emergency Management Director	Bioterrorism training	1,000

In accordance with Chapter 331.342(10) of the Code of Iowa, 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-14 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-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-14 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.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-H-14 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-14 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, 2014 for the County Extension Office did not exceed the amount budgeted.

IV-J-14 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization.

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

IV-K-14 Financial Condition - The Debt Service Fund had a deficit fund balance (on a modified accrual basis) of \$40,721 at June 30, 2014.

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

Response – The County Auditor has been instructed about TIF and Debt Service and will levy for the deficit in fiscal year 2016.

Conclusion – Response accepted.

IV-L-14 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the expenditures reported excluded a \$20,000 transfer out to the Debt Service Fund. The ending cash balance of the Special Revenue, Logistics Tax Increment Financing Fund reported was understated by \$22,300. In addition, the amount reported as TIF debt outstanding was understated by \$217,839 due to reporting the debt outstanding at the end of the year rather than the beginning of the year.

Recommendation – The County should ensure the amounts reported on the Annual Urban Renewal Report agree with County records.

Response – The County Auditor and Real Estate Deputy have been instructed about how to complete the Annual Urban Renewal Report correctly.

Conclusion – Response accepted.

Butler County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-M-14 Tax Increment Financing (TIF) Reconciliation – For the year ended June 30, 2014, the County Auditor did not prepare a reconciliation reconciling TIF receipts with total outstanding TIF debt for each city.

Recommendation – In accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa, ‘to provide for the division of taxes in each subsequent year without further certification ... until the amount of the loans, advances, indebtedness, or bonds is paid to the special fund’, the County Auditor should prepare a reconciliation of each City’s TIF receipts and TIF debt certified.

Response – The Real Estate Deputy has been instructed about how to prepare the Tax Increment Financing (TIF) reconciliations for cities. The TIF reconciliations will be prepared.

Conclusion – Response accepted.

Butler County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Kelly L. Hilton, Senior Auditor
Amanda L. Burt, Staff Auditor
Leslie M. Downing, Staff Auditor
Emma L. McGrane, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State