

**AUDIT REPORT
OF
BUTLER COUNTY**

JULY 1, 2010 THROUGH JUNE 30, 2011

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the Auditor of Public Accounts.**

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Issued on May 16, 2012

BUTLER COUNTY

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BUTLER COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Max Birkel	Board of Supervisors	Jan. 2013
Irvin Cidlik Jr.		Jan. 2015
William Kozisek		Jan. 2015
Tony Krafka		Jan. 2013
David Mach		Jan. 2015
Kevin Slama		Jan. 2015
Gregory Janak		Jan. 2013
Vickie Donoghue	Assessor	Jan. 2015
Julie Reiter	Attorney	Jan. 2015
Vicki Truksa	Clerk Election Commissioner Register of Deeds	Jan. 2015
Nancy Prochaska	Clerk of the District Court	Jan. 2015
Mark Hecker	Sheriff	Jan. 2015
Karey Adamy	Treasurer	Jan. 2015
Dean Kriz	Veterans' Service Officer	Appointed
Larry Zadina	Weed Superintendent	Appointed
Jim Truksa	Highway Superintendent	Appointed
Richard Ronkar	Surveyor	Appointed



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BUTLER COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Butler County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Butler County, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the County's primary government, as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The financial statements referred to above include only the primary government of Butler County, which consists of all funds, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Butler County as of June 30, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Butler County, as of June 30, 2011, and the respective changes in cash balances thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2012, 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* and should be considered in assessing the results of our audit.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The County has not presented Management's Discussion and Analysis, which the accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, nonmajor budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

SIGNED ORIGINAL ON FILE

May 7, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor

BUTLER COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
 June 30, 2011

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 1,962,159
Investments (Note 1.D)	2,970,580
TOTAL ASSETS	\$ 4,932,739
 NET ASSETS	
Restricted for:	
Visitor Promotion	\$ 18,332
911 Services	57,030
Debt Service	329,187
Emergency Management	79
Unrestricted	4,528,111
TOTAL NET ASSETS	\$ 4,932,739

The notes to the financial statements are an integral part of this statement.

BUTLER COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2011

Functions:	Cash	Program Cash Receipts		Net (Disbursement)
Disbursements	Disbursements	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Receipts and Changes in Net Assets
Governmental Activities:				
General Government	\$ (1,621,128)	\$ 294,370	\$ 61,800	\$ (1,264,958)
Public Safety	(1,774,315)	257,060	91,188	(1,426,067)
Public Works	(2,410,038)	2,134	1,316,853	(1,091,051)
Health and Sanitation	(10,350)	-	-	(10,350)
Public Assistance	(343,025)	41,050	-	(301,975)
Debt Payments	(237,950)	-	-	(237,950)
Total Governmental Activities	\$ (6,396,806)	\$ 594,614	\$ 1,469,841	(4,332,351)
General Receipts:				
Property Taxes				3,233,275
Grants and Contributions Not Restricted to Specific Programs				884,328
Investment Income				21,895
Licenses and Permits				37,012
Miscellaneous				108,085
Total General Receipts				4,284,595
Change in Net Assets				(47,756)
Net Assets - Beginning				4,980,495
Net Assets - Ending				\$ 4,932,739

The notes to the financial statements are an integral part of this statement.

BUTLER COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents (Note 1.D)	\$ 621,263	\$ 962,148	\$ -	\$ 378,748	\$ 1,962,159
Investments (Note 1.D)	21,233	-	2,188,816	760,531	2,970,580
TOTAL ASSETS	\$ 642,496	\$ 962,148	\$ 2,188,816	\$ 1,139,279	\$ 4,932,739
 FUND BALANCES					
Restricted for:					
Visitor Promotion	\$ -	\$ -	\$ -	\$ 18,332	\$ 18,332
911 Services	-	-	-	57,030	57,030
Debt Service	-	-	-	329,187	329,187
Emergency Management	-	-	-	79	79
Committed to:					
Law Enforcement	-	-	-	26,860	26,860
Road Maintenance	-	962,148	-	424,848	1,386,996
Aid and Assistance	-	-	-	262,589	262,589
Weed Control	-	-	-	20,354	20,354
Assigned to:					
Other Purposes	-	-	2,188,816	-	2,188,816
Unassigned	642,496	-	-	-	642,496
TOTAL CASH BASIS FUND BALANCES	\$ 642,496	\$ 962,148	\$ 2,188,816	\$ 1,139,279	\$ 4,932,739

The notes to the financial statements are an integral part of this statement.

BUTLER COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property Taxes	\$ 2,732,930	\$ -	\$ 166,429	\$ 333,916	\$ 3,233,275
Licenses and Permits	36,787	225	-	-	37,012
Interest	21,895	-	-	-	21,895
Intergovernmental	382,482	1,724,815	-	246,872	2,354,169
Charges for Services	551,430	-	-	43,184	594,614
Miscellaneous	14,307	70,078	-	23,700	108,085
TOTAL RECEIPTS	3,739,831	1,795,118	166,429	647,672	6,349,050
DISBURSEMENTS					
General Government	1,621,128	-	-	-	1,621,128
Public Safety	1,393,622	-	95,918	284,775	1,774,315
Public Works	59,506	2,307,965	-	42,567	2,410,038
Health and Sanitation	10,350	-	-	-	10,350
Public Assistance	156,791	-	-	186,234	343,025
Debt Service:					
Principal Payments	-	-	-	180,524	180,524
Interest and Fiscal Charges	-	-	-	57,426	57,426
TOTAL DISBURSEMENTS	3,241,397	2,307,965	95,918	751,526	6,396,806
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	498,434	(512,847)	70,511	(103,854)	(47,756)
OTHER FINANCING SOURCES (USES)					
Transfers in	500,000	852,115	-	276,492	1,628,607
Transfers out	(1,003,603)	(125,000)	(500,000)	(4)	(1,628,607)
TOTAL OTHER FINANCING SOURCES (USES)	(503,603)	727,115	(500,000)	276,488	-
Net Change in Fund Balances	(5,169)	214,268	(429,489)	172,634	(47,756)
CASH BASIS FUND					
BALANCES - BEGINNING	647,665	747,880	2,618,305	966,645	4,980,495
CASH BASIS FUND					
BALANCES - ENDING	\$ 642,496	\$ 962,148	\$ 2,188,816	\$ 1,139,279	\$ 4,932,739

The notes to the financial statements are an integral part of this statement.

BUTLER COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
FIDUCIARY FUNDS
 June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 487,444
LIABILITIES	
Due to other governments	
State	180,010
Schools	156,590
Educational Service Units	1,417
Technical College	10,552
Natural Resource Districts	3,674
Fire Districts	4,391
Municipalities	22,971
Agricultural Society	939
Townships	8,807
Sanitary and Improvement Districts	57,904
Others	40,189
TOTAL LIABILITIES	487,444
TOTAL NET ASSETS	\$ -

The notes to the financial statements are an integral part of this statement.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2011

1. **Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies utilized in the accounting system of Butler County.

A. Reporting Entity

Butler County, Nebraska (County) is a governmental entity established under and governed by the laws of the State of Nebraska (State). The County is managed by county officials who are elected on a political ballot for four-year terms. As a political subdivision of the State, the County is exempt from State and Federal income taxes. The financial statements include all funds of the County that are not legally separate. The County has also considered all potential component units for which it is financially accountable, as well as other organizations which are either fiscally dependent on the County or maintain a significant relationship with the County such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) 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 financial benefits to, or impose specific financial burdens on, the County.

Component Unit. These financial statements present the County (the primary government). The Butler County Health Care Center (Hospital) is a component unit of the County because of the significance of its operational and financial relationships with the County. The financial statements do not include the data of the Hospital necessary for reporting in conformity with generally accepted accounting principles (GAAP). Complete financial statements of the Hospital can be obtained from the Hospital's administrative office.

Joint Organization.

Behavioral Health Region V - The County has entered into an agreement with surrounding counties and the Nebraska Department of Health and Human Services to provide services to carry out the provisions of the Nebraska Behavioral Health Services Act (Act). Agreements were established under the authority of the Interlocal Cooperation Act for services to be provided under the Act. Region V (Region) consists of the following counties: Polk, Butler, Saunders, Seward, Lancaster, Otoe, Fillmore, Saline, Thayer, Jefferson, Gage, Johnson, Nemaha, Pawnee, York, and Richardson.

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$34,911 toward the operation of the Region during fiscal year 2011. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services requires the Region to be audited annually in accordance with State statute. Financial information for the Region is available in those audit reports.

Health Department – The County has entered into an agreement with Four Corners Health Department (Department) to provide public health services. Agreements were established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2009, Supp. 2011).

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County made no contributions toward the operation of the Department during fiscal year 2011. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is required to be audited annually in accordance with Neb. Rev. Stat. § 84-304(4) (Reissue 2008). Financial information for the Department is available in that report.

B. Basis of Presentation

Government-wide Financial Statements. The Statement of Net Assets - Cash Basis and Statement of Activities - Cash Basis display information about the activities of the County and are in the format of government-wide statements, as required by GASB Statement Number 34. These statements include all the financial activities of the County, except for fiduciary activities and the Hospital. Internal activities in these statements were considered immaterial and have not been eliminated. Governmental Generally Accepted Accounting Principles (GAAP) requires internal activity to be eliminated to minimize double counting. The County reports governmental activities only. Governmental activities are generally financed through taxes, intergovernmental receipts, and other nonexchange transactions. The County is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods,

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The County uses only the governmental and fiduciary fund categories. The County Board is the highest level of decision-making authority and has the authority, by resolution, to establish, modify or rescind the commitment or assignment of a fund balance to a specific purpose. When resources for a specific purpose are available in more than one fund balance classification, the County's policy is to use resources in the following order: restricted, committed, assigned and unassigned. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.

Road Fund. This fund is used to account for costs associated with the repair and maintenance of roads and bridges.

Inheritance Fund. This fund is used to account for the receipts generated from inheritance taxes.

The County reports the following additional fund types:

Special Revenue Funds. These funds account for the proceeds from a specific receipt source that is restricted to disbursements for a specified purpose.

Agency Funds. These funds account for assets held by the County as an agent for various local governments.

Debt Service Funds. These funds account for the resources for, and the payment of, general long-term debt principal, interest, and related costs.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The County designates fund balances as:

Restricted. The fund balance is restricted by external impositions such as creditors, grantors, or laws or regulations of other governments.

Committed. The fund balance has been designated by the County Board for a specific purpose.

Assigned. The fund balances has not been designated by the County Board for a specific purpose, but has been separated based on the type of revenue.

Unassigned. The portion of the General Fund not restricted, committed, or assigned for a specific purpose.

C. **Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the County are maintained and the government-wide financial statements were reported on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis. Receipts are recognized when received and disbursements are recognized when warrants are paid. This differs from governmental GAAP, which requires the government-wide and fiduciary fund financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting receipts are recorded when earned and disbursements are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from governmental GAAP, which require governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recognized as soon as they are both measurable and available. Receipts are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Disbursements generally are recorded when a liability is incurred, as under accrual accounting. However, disbursements related to compensated absences and claims and judgments are recorded only when payment is due.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

D. Assets and Net Assets

Cash and Cash Equivalents. The County's cash and cash equivalents are considered to be cash on hand and demand deposits.

Investments. The types of investments in which the County is authorized to invest funds are enumerated in Neb. Rev. Stat. §§ 77-2315, 77-2340, and 77-2341 (Reissue 2009), and generally include U.S. Government obligations, certificates of deposit, and time deposits and securities, which are authorized by the Nebraska Investment Council.

Capital Assets. Under the cash receipts and disbursements basis of accounting, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds. GAAP requires capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) to be reported in the applicable governmental activities columns in the government-wide financial statements.

Depreciation expenses on capital assets were not recorded on the cash basis financial statements. Under GAAP, depreciation expenses would be recorded in the Statement of Activities. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

Compensated Absences. Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as a disbursement of the County funds as paid. Upon termination, employees are paid for any unused vacation. Under the receipts and disbursements basis of accounting, the liabilities for compensated absences are not reported since they do not represent liabilities arising from cash transactions. Under GAAP, the compensated absences liability would be reported in the government-wide financial statements and would be recorded in accordance with the County's policy, which is to recognize the expense and accrued liability when vacation and compensatory leave is earned.

Restricted Net Assets. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net assets are reported as restricted when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$404,628 of restricted net assets, of which \$75,362 is restricted by enabling legislation.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. Deposits and Investments

The County has generally pooled the cash resources of the various funds for investment purposes. Interest earned on pooled funds is credited to the County General Fund in accordance with Neb. Rev. Stat. § 77-2315 (Reissue 2009).

At year end, the County's carrying amount of deposits was \$1,962,159 for County funds and \$487,444 for Fiduciary funds. The bank balances for all funds totaled \$2,455,833. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2011, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County's carrying value of investments are stated at cost, which approximates market. Investments consisted of \$6,516 in Cole Real Estate investments, invested by the Senior Services Program and of \$2,964,064 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a seven member Board of Trustees. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income which has accrued to each participant is converted as of the close of business of each calendar month into additional units which thereafter are held in each participant's trust account. Since net income of the fund is allocated among participant's each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the County's name. The Cole Real Estate investment account was held by the Senior Services Program or its agent in the Senior Services Program's name.

3. Property Taxes

Property taxes are levied by the County Board on or before October 15 of each year for all political subdivisions in the County. Real estate and personal property taxes are due and attach as an enforceable lien on January 1 following the levy date, and become delinquent in two equal installments on May 1 and September 1. Motor vehicle taxes are due when application is made for registration of a motor vehicle.

Counties are permitted by the State Constitution to levy a tax of up to \$.50/\$100 of assessed valuation for general governmental services other than the payment of principal and interest on bonded debt. They may levy taxes in addition to the 50 cent limitation upon a vote of the people.

The levy set in October 2010, for the 2010 taxes, which will be materially collected in May and September 2011, was set at \$.240398/\$100 of assessed valuation. The levy set in October 2009, for the 2009 taxes, which were materially collected in May and September 2010, was set at \$.233326/\$100 of assessed valuation. The amount collected for motor vehicle tax is outlined in State statute.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Property Taxes (Concluded)

Additionally, there is currently a statutory lid limitation, which limits taxation to the prior year's level, with provisions for growth. It may be increased by 1% by a three-fourths majority of the County Board.

4. Retirement System

The Retirement System for Nebraska Counties (the Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2335 (Reissue 2007, Cum. Supp. 2010, Supp. 2011) and may be amended through legislative action.

Participation in the Plan is required of all full-time employees. Part-time (working less than one-half of the regularly scheduled hours) employees may elect voluntary participation upon reaching age 20. Part-time elected officials may exercise the option to join.

County employees and elected officials contribute 4.5% of their total compensation. In addition, the County contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by § 23-2307 and § 23-2308 and may be amended through legislative action. The employee's and employer's contributions are kept in separate accounts. The employee's account is fully vested. The employer's account is fully vested after three years of participation in the system or credit for participation in another governmental plan prior to actual contribution to the Plan. Prior service benefits are paid directly by the County to the retired employee.

A supplemental retirement plan was established on January 1, 2003, for the benefit of all present and future commissioned law enforcement personnel employed by the County. Employees contribute 1% of their salary, and the County contributes an amount equal to 100% of the employee's contribution. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

For the year ended June 30, 2011, 91 employees contributed \$105,087, and the County contributed \$157,631. Additionally, for the year ended June 30, 2011, 8 law enforcement employees and the County contributed \$2,440 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$1,136 directly to 16 retired employees for prior service benefits.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. Risk Management

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 78 counties throughout Nebraska.

The County pays an annual deposit premium, as calculated by the administrator of the pool. The premium is based on the losses and exposures of each County and the entire pool. If the pool becomes insolvent or otherwise unable to discharge its legal liabilities and obligations, the County may be assessed by the Board for an additional contribution equal to its contribution for the current fiscal year, divided by the contribution of all participants for such year, times the amount of such deficiency. Each such assessment, and the manner of calculating the same, is sent to each county in writing, and each county has sixty days in which to pay the amount of such assessment. Each county remains liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, as well as for liabilities of the Pool incurred during such county's period of membership.

The agreement with NIRMA requires the risk pool to provide coverage for up to a maximum amount per occurrence and purchase commercial insurance for claims in excess of coverage provided. In the event of a liability exceeding the commercial insurance, the County would be responsible for funding the excess amount.

	NIRMA Coverage	Maximum Coverage
General Liability Claim	\$ 300,000	\$ 5,000,000
Worker's Compensation Claim	\$ 500,000	Statutory Limits
Property Damage Claim	\$ 250,000	Insured Value at Replacement Cost

The County has not paid any additional assessments to the pool in the last three fiscal years, and no assessments are anticipated for fiscal year 2012. The County has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfers to	Transfers from				Total
	General Fund	Inheritance Fund	Road Fund	Nonmajor Funds	
General Fund	\$ -	\$ 500,000	\$ -	\$ -	\$ 500,000
Road Fund	852,115	-	-	-	852,115
Nonmajor Funds	151,488	-	125,000	4	276,492
Total	<u>\$1,003,603</u>	<u>\$ 500,000</u>	<u>\$ 125,000</u>	<u>\$ 4</u>	<u>\$ 1,628,607</u>

Transfers are used to move unrestricted receipts collected in the General Fund and Inheritance Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. **Contingent Liabilities**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the County.

8. **Long-Term Debt**

General Obligation Bond. The County issued bonds on May 3, 2010, in the amount of \$2,230,000 for the purpose of refunding the County's General Obligation Building Bonds, Series 2002, dated May 1, 2002, which were issued for the purpose of paying the costs of constructing additions and improvements to the Butler County Courthouse. The bond payable balance, as of June 30, 2011, was \$2,050,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. Future tax resources will be used to pay off the bonds.

Future Payments:

Year	Principal	Interest	Total
2012	\$ 180,000	\$ 54,958	\$ 234,958
2013	180,000	52,347	232,347
2014	185,000	49,196	234,196
2015	190,000	45,395	235,395
2016	195,000	40,721	235,721
2017-2021	1,050,000	108,021	1,158,021
2022-2026	70,000	1,313	71,313
Total Payments	<u>\$ 2,050,000</u>	<u>\$ 351,951</u>	<u>\$ 2,401,951</u>

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. **Long-Term Debt** (Concluded)

Hospital Bond. The County issued bonds in March 2009 in the amount of \$3,180,000 for the purpose of refunding the Series 2004 Hospital Building Bonds originally issued in January 2004 for the purpose of paying the costs of constructing and remodeling the Hospital facility. The bond payable balance as of June 30, 2011, was \$2,970,000. Butler County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds; however, it is the intent of the County Board to use proceeds from the Hospital to pay off the bonds. Complete financial statements of the Hospital can be obtained from the Hospital's administrative office.

9. **Senior Services Program**

The Butler County Senior Services Program (Program), which was identified as a separate component unit of the County in previous audits, was determined to be a function of the County and required to be included as a special revenue fund in the County's financial statements. All activity of the Program is included as a separate fund identified as the Senior Services Fund.

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,817,486	\$ 2,817,486	\$ 2,732,930	\$ (84,556)
Licenses and Permits	32,000	32,000	36,787	4,787
Interest	25,000	25,000	21,895	(3,105)
Intergovernmental	245,606	245,606	382,482	136,876
Charges for Services	476,150	476,150	551,430	75,280
Miscellaneous	-	-	14,307	14,307
TOTAL RECEIPTS	3,596,242	3,596,242	3,739,831	143,589
DISBURSEMENTS				
General Government:				
County Board	185,229	185,229	184,150	1,079
County Clerk	143,641	143,641	140,270	3,371
County Treasurer	141,264	141,264	134,208	7,056
Register of Deeds	-	-	-	-
County Assessor	182,984	182,984	180,764	2,220
Election Commissioner	59,217	59,217	45,288	13,929
Planning and Zoning	5,000	5,000	96	4,904
Data Processing Department	36,200	36,200	32,809	3,391
Clerk of the District Court	152,695	154,289	154,289	-
County Court System	10,500	10,500	10,454	46
Public Defender	162,164	162,164	144,505	17,659
Building and Grounds	209,043	209,043	205,646	3,397
Reappraisal	50,357	50,357	50,118	239
Agricultural Extension Agent	79,075	79,075	71,780	7,295
Miscellaneous	322,078	319,035	266,751	52,284
Public Safety:				
County Sheriff	519,745	519,745	491,101	28,644
County Attorney	190,896	190,896	184,368	6,528
County Jail	617,851	617,851	607,873	9,978
Juvenile Diversion	12,970	12,970	10,292	2,678
Energy Efficiency Grant	118,645	118,645	77,010	41,635
Miscellaneous	37,000	37,000	22,978	14,022
County Surveyor	58,057	59,506	59,506	-
Public Health:				
Health Department	14,000	14,000	10,350	3,650

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DISBURSEMENTS (Continued)				
Public Assistance:				
Veterans' Service Officer	35,323	35,323	34,920	403
Victim Assistance	21,435	21,435	18,785	2,650
Miscellaneous	124,935	124,935	103,086	21,849
TOTAL DISBURSEMENTS	<u>3,490,304</u>	<u>3,490,304</u>	<u>3,241,397</u>	<u>248,907</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>105,938</u>	<u>105,938</u>	<u>498,434</u>	<u>392,496</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	-
Transfers out	(1,003,603)	(1,003,603)	(1,003,603)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(503,603)</u>	<u>(503,603)</u>	<u>(503,603)</u>	<u>-</u>
Net Change in Fund Balance	(397,665)	(397,665)	(5,169)	392,496
FUND BALANCE - BEGINNING	647,665	647,665	647,665	-
FUND BALANCE - ENDING	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 642,496</u>	<u>\$ 392,496</u>

(Concluded)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Licenses and Permits	\$ -	\$ -	\$ 225	\$ 225
Intergovernmental	1,546,236	1,546,236	1,724,815	178,579
Miscellaneous	10,000	10,000	70,078	60,078
TOTAL RECEIPTS	1,556,236	1,556,236	1,795,118	238,882
DISBURSEMENTS	2,881,231	2,881,231	2,307,965	573,266
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,324,995)	(1,324,995)	(512,847)	812,148
OTHER FINANCING SOURCES (USES)				
Transfers in	852,115	852,115	852,115	-
Transfers out	(50,000)	(50,000)	(125,000)	(75,000)
TOTAL OTHER FINANCING SOURCES (USES)	802,115	802,115	727,115	(75,000)
Net Change in Fund Balance	(522,880)	(522,880)	214,268	737,148
FUND BALANCE - BEGINNING	747,880	747,880	747,880	-
FUND BALANCE - ENDING	<u>\$ 225,000</u>	<u>\$ 225,000</u>	<u>\$ 962,148</u>	<u>\$ 737,148</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 166,429	\$ 166,429
TOTAL RECEIPTS	-	-	166,429	166,429
DISBURSEMENTS	2,118,305	2,118,305	95,918	2,022,387
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(2,118,305)	(2,118,305)	70,511	2,188,816
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(500,000)	(500,000)	(500,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(500,000)	(500,000)	(500,000)	-
Net Change in Fund Balance	(2,618,305)	(2,618,305)	(429,489)	2,188,816
FUND BALANCE - BEGINNING	2,618,305	2,618,305	2,618,305	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,188,816</u>	<u>\$ 2,188,816</u>

BUTLER COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2011

BUDGETARY COMPARISON SCHEDULES

GAAP Requirements

Generally Accepted Accounting Principles (GAAP) requires budgetary comparison schedules for the General Fund, and for each major special revenue fund that has a legally adopted annual budget. GAAP further requires the budgetary comparison schedules to include the *original budget* and *final budget* amounts. The *original budget* is the first complete appropriated budget adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget would also include actual appropriation amounts automatically carried over from prior years, when required by law. The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, as approved by the County Board or otherwise legally authorized.

Budgetary Process

The County adopts an annual budget in accordance with the statutory requirements of the Nebraska Budget Act. The budget is prepared on the cash receipts and disbursements basis of accounting. The budget contains only those receipts actually received by the County Treasurer. The County does not utilize an encumbrance accounting system. All appropriated spending authority lapses at the end of the fiscal year.

On or before August 1, the county budget-making authority prepares and transmits a budget for each County fund to the County Board. The budget includes the requirements, the outstanding warrants, the operating reserves to be maintained, the cash on hand at the close of the preceding fiscal year, the receipts from sources other than taxation, and the amount to be raised by taxation. The County Board must hold at least one public hearing on the proposed budget. On or before September 20, the County Board adopts the budget and appropriates the amounts specified in the budget for the departments, offices, activities, and funds of the County.

The County Board is authorized to transfer budgeted amounts between departments within any fund through resolution; however, if revisions are made that alter the total disbursements of any fund, an additional public hearing must be held. The legal level of budgetary control for the General Fund is at the function level, and the special revenue fund types are at the fund level. The County Board is also authorized to budget for the transfer of money between County funds.

BUTLER COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	Special Road Fund	Emergency Management Fund	Visitor Promotion Fund	Visitor Improvement Fund	Relief / Medical Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ 2,225	\$ 2,225	\$ 8,818
Intergovernmental	2,214	26,238	-	-	896
Charges for Services	-	-	-	-	-
Miscellaneous	-	647	-	-	200
TOTAL RECEIPTS	<u>2,214</u>	<u>26,885</u>	<u>2,225</u>	<u>2,225</u>	<u>9,914</u>
DISBURSEMENTS					
Public Safety	-	59,036	-	-	-
Public Works	-	-	-	-	-
Public Assistance	-	-	-	-	6,859
Debt Service:					
Principal Payments	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>-</u>	<u>59,036</u>	<u>-</u>	<u>-</u>	<u>6,859</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,214</u>	<u>(32,151)</u>	<u>2,225</u>	<u>2,225</u>	<u>3,055</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	125,000	38,916	-	-	-
Transfers out	-	-	-	-	(4)
TOTAL OTHER FINANCING SOURCES (USES)	<u>125,000</u>	<u>38,916</u>	<u>-</u>	<u>-</u>	<u>(4)</u>
Net Change in Fund Balances	127,214	6,765	2,225	2,225	3,051
FUND BALANCES - BEGINNING	<u>297,634</u>	<u>8,988</u>	<u>6,941</u>	<u>6,941</u>	<u>15,438</u>
FUND BALANCES - ENDING	<u>\$ 424,848</u>	<u>\$ 15,753</u>	<u>\$ 9,166</u>	<u>\$ 9,166</u>	<u>\$ 18,489</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	\$ -	\$ -	\$ 9,166	\$ 9,166	\$ -
911 Services	-	-	-	-	-
Debt Service	-	-	-	-	-
Emergency Management	-	-	-	-	-
Committed to:					
Law Enforcement	-	15,753	-	-	-
Road Maintenance	424,848	-	-	-	-
Aid and Assistance	-	-	-	-	18,489
Weed Control	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 424,848</u>	<u>\$ 15,753</u>	<u>\$ 9,166</u>	<u>\$ 9,166</u>	<u>\$ 18,489</u>

(Continued)

BUTLER COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	Institution Fund	Veterans' Aid Fund	STOP Fund	Federal Grants Fund	911 Wireless Service Fund	Noxious Weed Control Fund
RECEIPTS						
Property Taxes	\$ 11,849	\$ 7,037	\$ -	\$ -	\$ 28,341	\$ -
Intergovernmental	1,201	713	-	-	-	-
Charges for Services	-	-	-	-	-	2,134
Miscellaneous	-	-	5,550	1,500	-	475
TOTAL RECEIPTS	<u>13,050</u>	<u>7,750</u>	<u>5,550</u>	<u>1,500</u>	<u>28,341</u>	<u>2,609</u>
DISBURSEMENTS						
Public Safety	-	-	8,867	1,421	5,259	-
Public Works	-	-	-	-	-	42,567
Public Assistance	4,841	-	-	-	-	-
Debt Service:						
Principal Payments	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>4,841</u>	<u>-</u>	<u>8,867</u>	<u>1,421</u>	<u>5,259</u>	<u>42,567</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>8,209</u>	<u>7,750</u>	<u>(3,317)</u>	<u>79</u>	<u>23,082</u>	<u>(39,958)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	4	-	-	-	44,910
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,910</u>
Net Change in Fund Balances	8,209	7,754	(3,317)	79	23,082	4,952
FUND BALANCES - BEGINNING	<u>15,430</u>	<u>13,375</u>	<u>14,424</u>	<u>-</u>	<u>-</u>	<u>15,402</u>
FUND BALANCES - ENDING	<u>\$ 23,639</u>	<u>\$ 21,129</u>	<u>\$ 11,107</u>	<u>\$ 79</u>	<u>\$ 23,082</u>	<u>\$ 20,354</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
911 Services	-	-	-	-	23,082	-
Debt Service	-	-	-	-	-	-
Emergency Management	-	-	-	79	-	-
Committed to:						
Law Enforcement	-	-	11,107	-	-	-
Road Maintenance	-	-	-	-	-	-
Aid and Assistance	23,639	21,129	-	-	-	-
Weed Control	-	-	-	-	-	20,354
TOTAL FUND BALANCES	<u>\$ 23,639</u>	<u>\$ 21,129</u>	<u>\$ 11,107</u>	<u>\$ 79</u>	<u>\$ 23,082</u>	<u>\$ 20,354</u>

(Continued)

BUTLER COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	E911 Emergency Assistance Fund	Courthouse Bond Fund	Senior Services Fund	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	\$ 36,212	\$ 237,209	\$ -	\$ 333,916
Intergovernmental	78,409	15,906	121,295	246,872
Charges for Services	-	-	41,050	43,184
Miscellaneous	-	-	15,328	23,700
TOTAL RECEIPTS	<u>114,621</u>	<u>253,115</u>	<u>177,673</u>	<u>647,672</u>
DISBURSEMENTS				
Public Safety	210,192	-	-	284,775
Public Works	-	-	-	42,567
Public Assistance	-	-	174,534	186,234
Debt Service:				
Principal Payments	-	180,524	-	180,524
Interest and Fiscal Charges	-	57,426	-	57,426
TOTAL DISBURSEMENTS	<u>210,192</u>	<u>237,950</u>	<u>174,534</u>	<u>751,526</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(95,571)</u>	<u>15,165</u>	<u>3,139</u>	<u>(103,854)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	67,662	-	-	276,492
Transfers out	-	-	-	(4)
TOTAL OTHER FINANCING SOURCES (USES)	<u>67,662</u>	<u>-</u>	<u>-</u>	<u>276,488</u>
Net Change in Fund Balances	(27,909)	15,165	3,139	172,634
FUND BALANCES - BEGINNING	<u>61,857</u>	<u>314,022</u>	<u>196,193</u>	<u>966,645</u>
FUND BALANCES - ENDING	<u>\$ 33,948</u>	<u>\$ 329,187</u>	<u>\$ 199,332</u>	<u>\$ 1,139,279</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	\$ -	\$ -	\$ -	\$ 18,332
911 Services	33,948	-	-	57,030
Debt Service	-	329,187	-	329,187
Emergency Management	-	-	-	79
Committed to:				
Law Enforcement	-	-	-	26,860
Road Maintenance	-	-	-	424,848
Aid and Assistance	-	-	199,332	262,589
Weed Control	-	-	-	20,354
TOTAL FUND BALANCES	<u>\$ 33,948</u>	<u>\$ 329,187</u>	<u>\$ 199,332</u>	<u>\$ 1,139,279</u>

(Concluded)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>SPECIAL ROAD FUND</u>				
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ 2,214	\$ 2,214
TOTAL RECEIPTS	-	-	2,214	2,214
DISBURSEMENTS	347,634	347,634	-	347,634
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	125,000	75,000
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	50,000	50,000	125,000	75,000
Net Change in Fund Balance	(297,634)	(297,634)	127,214	424,848
FUND BALANCE - BEGINNING	297,634	297,634	297,634	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,848</u>	<u>\$ 424,848</u>
<u>EMERGENCY MANAGEMENT FUND</u>				
RECEIPTS				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 26,238	\$ 6,238
Miscellaneous	-	-	647	647
TOTAL RECEIPTS	20,000	20,000	26,885	6,885
DISBURSEMENTS	67,904	67,904	59,036	8,868
OTHER FINANCING SOURCES (USES)				
Transfers in	38,916	38,916	38,916	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	38,916	38,916	38,916	-
Net Change in Fund Balance	(8,988)	(8,988)	6,765	15,753
FUND BALANCE - BEGINNING	8,988	8,988	8,988	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,753</u>	<u>\$ 15,753</u>

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>VISITOR PROMOTION FUND</u>				
RECEIPTS				
Taxes	\$ 2,000	\$ 2,000	\$ 2,225	\$ 225
TOTAL RECEIPTS	2,000	2,000	2,225	225
DISBURSEMENTS	8,941	8,941	-	8,941
Net Change in Fund Balance	(6,941)	(6,941)	2,225	9,166
FUND BALANCE - BEGINNING	6,941	6,941	6,941	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,166</u>	<u>\$ 9,166</u>
<u>VISITOR IMPROVEMENT FUND</u>				
RECEIPTS				
Taxes	\$ 2,000	\$ 2,000	\$ 2,225	\$ 225
TOTAL RECEIPTS	2,000	2,000	2,225	225
DISBURSEMENTS	8,941	8,941	-	8,941
Net Change in Fund Balance	(6,941)	(6,941)	2,225	9,166
FUND BALANCE - BEGINNING	6,941	6,941	6,941	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,166</u>	<u>\$ 9,166</u>
<u>RELIEF / MEDICAL FUND</u>				
RECEIPTS				
Taxes	\$ 14,562	\$ 14,562	\$ 8,818	\$ (5,744)
Intergovernmental	-	-	896	896
Miscellaneous	-	-	200	200
TOTAL RECEIPTS	14,562	14,562	9,914	(4,648)
DISBURSEMENTS	30,000	30,000	6,859	23,141
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(4)	(4)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(4)	(4)
Net Change in Fund Balance	(15,438)	(15,438)	3,051	18,489
FUND BALANCE - BEGINNING	15,438	15,438	15,438	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,489</u>	<u>\$ 18,489</u>

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
INSTITUTION FUND				
RECEIPTS				
Taxes	\$ 19,570	\$ 19,570	\$ 11,849	\$ (7,721)
Intergovernmental	-	-	1,201	1,201
TOTAL RECEIPTS	<u>19,570</u>	<u>19,570</u>	<u>13,050</u>	<u>(6,520)</u>
DISBURSEMENTS	<u>35,000</u>	<u>35,000</u>	<u>4,841</u>	<u>30,159</u>
Net Change in Fund Balance	(15,430)	(15,430)	8,209	23,639
FUND BALANCE - BEGINNING	<u>15,430</u>	<u>15,430</u>	<u>15,430</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,639</u>	<u>\$ 23,639</u>
VETERANS' AID FUND				
RECEIPTS				
Taxes	\$ 11,625	\$ 11,625	\$ 7,037	\$ (4,588)
Intergovernmental	-	-	713	713
TOTAL RECEIPTS	<u>11,625</u>	<u>11,625</u>	<u>7,750</u>	<u>(3,875)</u>
DISBURSEMENTS	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4	4
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
Net Change in Fund Balance	(13,375)	(13,375)	7,754	21,129
FUND BALANCE - BEGINNING	<u>13,375</u>	<u>13,375</u>	<u>13,375</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,129</u>	<u>\$ 21,129</u>

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
STOP FUND				
RECEIPTS				
Miscellaneous	\$ -	\$ -	\$ 5,550	\$ 5,550
TOTAL RECEIPTS	-	-	5,550	5,550
DISBURSEMENTS				
	14,424	14,424	8,867	5,557
Net Change in Fund Balance	(14,424)	(14,424)	(3,317)	11,107
FUND BALANCE - BEGINNING	14,424	14,424	14,424	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,107</u>	<u>\$ 11,107</u>
FEDERAL GRANTS FUND				
RECEIPTS				
Intergovernmental	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Miscellaneous	-	-	1,500	1,500
TOTAL RECEIPTS	100,000	100,000	1,500	(98,500)
DISBURSEMENTS				
	100,000	100,000	1,421	98,579
Net Change in Fund Balance	-	-	79	79
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79</u>	<u>\$ 79</u>
911 WIRELESS SERVICE FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 28,341	\$ 28,341
TOTAL RECEIPTS	-	-	28,341	28,341
DISBURSEMENTS				
	30,000	30,000	5,259	24,741
Net Change in Fund Balance	(30,000)	(30,000)	23,082	53,082
FUND BALANCE - BEGINNING	30,000	30,000	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,082</u>	<u>\$ 53,082</u>

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
NOXIOUS WEED CONTROL FUND				
RECEIPTS				
Charges for Services	\$ -	\$ -	\$ 2,134	\$ 2,134
Miscellaneous	-	-	475	475
TOTAL RECEIPTS	-	-	2,609	2,609
DISBURSEMENTS	60,312	60,312	42,567	17,745
OTHER FINANCING SOURCES (USES)				
Transfers in	44,910	44,910	44,910	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	44,910	44,910	44,910	-
Net Change in Fund Balance	(15,402)	(15,402)	4,952	20,354
FUND BALANCE - BEGINNING	15,402	15,402	15,402	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,354</u>	<u>\$ 20,354</u>

E911 EMERGENCY ASSISTANCE FUND				
RECEIPTS				
Taxes	\$ 35,000	\$ 35,000	\$ 36,212	\$ 1,212
Intergovernmental	72,150	72,150	78,409	6,259
TOTAL RECEIPTS	107,150	107,150	114,621	7,471
DISBURSEMENTS	236,669	236,669	210,192	26,477
OTHER FINANCING SOURCES (USES)				
Transfers in	67,662	67,662	67,662	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	67,662	67,662	67,662	-
Net Change in Fund Balance	(61,857)	(61,857)	(27,909)	33,948
FUND BALANCE - BEGINNING	61,857	61,857	61,857	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,948</u>	<u>\$ 33,948</u>

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COURTHOUSE BOND FUND				
RECEIPTS				
Taxes	\$ 237,977	\$ 237,977	\$ 237,209	\$ (768)
Intergovernmental	-	-	15,906	15,906
TOTAL RECEIPTS	<u>237,977</u>	<u>237,977</u>	<u>253,115</u>	<u>15,138</u>
DISBURSEMENTS	<u>551,999</u>	<u>551,999</u>	<u>237,950</u>	<u>314,049</u>
Net Change in Fund Balance	(314,022)	(314,022)	15,165	329,187
FUND BALANCE - BEGINNING	<u>314,022</u>	<u>314,022</u>	<u>314,022</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,187</u>	<u>\$ 329,187</u>
SENIOR SERVICES FUND				
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ 121,295	\$ 121,295
Charges for Services	-	-	41,050	41,050
Miscellaneous	-	-	15,328	15,328
TOTAL RECEIPTS	<u>-</u>	<u>-</u>	<u>177,673</u>	<u>177,673</u>
DISBURSEMENTS	<u>-</u>	<u>-</u>	<u>174,534</u>	<u>(174,534)</u>
Net Change in Fund Balance	-	-	3,139	3,139
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>196,193</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,332</u>	<u>\$ 3,139</u>

(Concluded)

BUTLER COUNTY
SCHEDULE OF OFFICE ACTIVITIES

For the Year Ended June 30, 2011

	County Clerk	Clerk of the District Court	County Sheriff	County Detention Center	Highway Superintendent	Veterans' Service Officer	County Senior Services	Total
BALANCE JULY 1, 2010	\$ 9,173	\$ 68,211	\$ 2,312	\$ 3,926	\$ -	\$ 3,971	\$ 199,023	\$ 286,616
RECEIPTS								
Property Taxes	-	-	-	-	-	-	-	-
Licenses and Permits	595	-	-	-	-	-	-	595
Intergovernmental	-	-	37,601	-	577,634	-	113,505	728,740
Charges for Services	46,087	11,956	22,869	214,815	-	-	42,370	338,097
Miscellaneous	-	-	-	-	66,736	-	15,328	82,064
State Fees	45,491	17,177	-	-	-	-	-	62,668
Other Liabilities	-	81,984	23,181	168,682	-	-	-	273,847
TOTAL RECEIPTS	92,173	111,117	83,651	383,497	644,370	-	171,203	1,486,011
DISBURSEMENTS								
Payments to County Treasurer	46,601	11,264	61,003	191,162	644,370	-	-	954,400
Payments to State Treasurer	46,771	18,019	-	-	-	-	-	64,790
Other Liabilities	-	96,210	23,181	167,625	-	1,546	174,297	462,859
TOTAL DISBURSEMENTS	93,372	125,493	84,184	358,787	644,370	1,546	174,297	1,482,049
BALANCES JUNE 30, 2011	\$ 7,974	\$ 53,835	\$ 1,779	\$ 28,636	\$ -	\$ 2,425	\$ 195,929	\$ 290,578
BALANCES CONSISTS OF:								
Due to County Treasurer	\$ 4,321	\$ 959	\$ 1,779	\$ 23,259	\$ -	\$ 2,425	\$ 184,985	\$ 217,728
Petty Cash	-	-	-	3,500	-	-	-	3,500
Due to State Treasurer	3,653	738	-	65	-	-	-	4,456
Due to Others	-	52,138	-	1,812	-	-	10,944	64,894
BALANCES JUNE 30, 2011	\$ 7,974	\$ 53,835	\$ 1,779	\$ 28,636	\$ -	\$ 2,425	\$ 195,929	\$ 290,578

BUTLER COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED FOR
ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2011

Item	2006	2007	2008	2009	2010
Tax Certified by Assessor					
Real Estate	\$ 14,426,140	\$ 13,934,697	\$ 14,581,243	\$ 15,956,016	\$ 18,088,063
Personal and Specials	875,168	890,296	952,141	1,166,900	1,374,706
Total	<u>15,301,308</u>	<u>14,824,993</u>	<u>15,533,384</u>	<u>17,122,916</u>	<u>19,462,769</u>
Corrections					
Additions	3,631	3,381	10,649	7,099	5,946
Deductions	(1,434)	(2,206)	(7,980)	(1,315)	(1,237)
Net Additions/ (Deductions)	<u>2,197</u>	<u>1,175</u>	<u>2,669</u>	<u>5,784</u>	<u>4,709</u>
Corrected Certified Tax	<u>15,303,505</u>	<u>14,826,168</u>	<u>15,536,053</u>	<u>17,128,700</u>	<u>19,467,478</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2007	8,850,977	-	-	-	-
June 30, 2008	6,438,909	8,823,245	-	-	-
June 30, 2009	3,959	5,986,009	9,317,086	-	-
June 30, 2010	4,877	9,126	6,204,223	10,394,792	-
June 30, 2011	1,804	3,568	8,223	6,723,333	12,044,987
Total Net Collections	<u>15,300,526</u>	<u>14,821,948</u>	<u>15,529,532</u>	<u>17,118,125</u>	<u>12,044,987</u>
Total Uncollected Tax	<u>\$ 2,979</u>	<u>\$ 4,220</u>	<u>\$ 6,521</u>	<u>\$ 10,575</u>	<u>\$ 7,422,491</u>
Percentage Uncollected Tax	<u>0.02%</u>	<u>0.03%</u>	<u>0.04%</u>	<u>0.06%</u>	<u>38.13%</u>



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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BUTLER COUNTY
**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***

Board of Supervisors
Butler County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Butler County as of and for the year ended June 30, 2011, and have issued our report thereon dated May 7, 2012. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Butler County Health Care Center, a component unit of Butler County. Except as noted above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Butler County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 the 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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, detect, or correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, detected or corrected on a timely basis. We consider the following deficiency to be a material weakness:

- The County offices had a lack of segregation of duties since one person could handle all aspects of processing a transaction from beginning to end. Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. Due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost.

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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of Butler County in a separate letter dated May 7, 2012.

This report is intended solely for the information and use of management, the County Board, others within the entity, the State Legislature, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

May 7, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

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May 7, 2012

Board of Supervisors
Butler County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Butler County (County) for the fiscal year ended June 30, 2011, and have issued our report thereon dated May 7, 2012. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

During our audit, we noted certain matters involving internal control over financial reporting and other operational matters that are presented here. These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the areas as follows:

COUNTY OVERALL

Segregation of Duties

Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A system of internal control should include a proper segregation of duties so no one individual is capable of handling all phases of a transaction from beginning to end.

We noted the offices of the County each had a lack of segregation of duties since one person could handle all aspects of processing a transaction from beginning to end. Due to a limited number of personnel, an adequate segregation of duties is not possible without additional cost. This was also noted in prior audits.

We recommend the County review this situation. As always, the County must weigh the cost of hiring additional personnel versus the benefit of a proper segregation of duties.

COUNTY BOARD

Senior Services Program

Financial activities of the Senior Services Program (Program) were delegated to a separate board; however, the Program is a function of the County and all activity should have been reviewed and approved by the County Board. Because the County considered the Program to be a separate component unit, proper procedures were not followed in relation to the following:

- Expenditures were not approved by the County Board.
- Receipts were not deposited to the County Treasurer.
- Employees were not properly contributing to the County Retirement Plan.
- Activity was not included in the County budget.

Neb. Rev. Stat. § 23-1601 (Reissue 2007) states, “It is the duty of the county treasurer to receive all money belonging to the county from whatever source derived ... All money received by the county treasurer for the use of the county shall be paid out by him or her only on warrants issued by the county board according to law.” Neb. Rev. Stat. § 23-903 (Reissue 2007) states, “the budget of the county shall present a complete financial plan for the period for which said budget is drawn, as hereinafter provided. It shall set forth (1) all proposed expenditures for the administration, operation and maintenance of all offices, departments, activities, funds and institutions of the county.” Neb. Rev. Stat. § 23-2301 (Reissue 2007) defines members of the County Retirement Plan as all persons or officers employed by a county on a permanent basis.

When all receipts are not deposited with the County Treasurer and expenditures are not approved by the County Board, the financial activity of the County is not properly disclosed to the public according to statutes. Such procedures also increase the risk of loss or misuse of funds.

We recommend the County Board approve all expenditures of the County including the Senior Services Program expenditures. In addition, all revenue should be deposited to the County Treasurer, all employees should be properly contributing to the County Retirement Plan, and all County financial activity should be included in the County budget.

Petty Cash Funds

We noted the following Petty Cash funds were not included in the County budget message:

- County Detention Center \$ 3,500
- County Clerk \$ 200

Neb. Rev. Stat. § 23-106(2) (Reissue 2007) states, in part, “The county board shall have the authority to establish a petty cash fund for such county for the purpose of making payments for subsidiary general operational expenditures and purchases. Such county board shall set, by resolution of the board, the amount of money to be carried in such petty cash fund and the dollar limit of an expenditure from such fund and such amount shall be stated in the fiscal policy of the county board budget message.”

When petty cash funds are not properly disclosed in the budget message of the County budget document, the County is not in compliance with State statute.

We recommend all authorized petty cash funds be properly stated in the budget message of the County budget document.

COUNTY SHERIFF

Balancing Procedures

The County Sheriff does not have procedures in place to determine accurate asset to liability balancing. At June 30, 2011, the Sheriff was short \$904. This shortage was caused by an inability to provide an accurate listing of accounts receivable and costs for State cases not being claimed to the County Board.

Good internal control requires procedures be in place to ensure assets (cash on hand, reconciled bank statement, and accounts receivable) are in agreement with office liabilities (fees and trust accounts). Without proper oversight of transaction activity and a failure to determine asset-to-liability balancing variances, there is an increased risk of loss, theft, or misuse of funds allowing errors to more easily go undetected.

We recommend the County Sheriff implement documented monthly balancing procedures, including an accurate listing of accounts receivable. Additionally, fees on State cases should be claimed to the County Board.

Remittances to the County Treasurer

Collections made by the County Detention Center for the sale of phone cards to prisoners were not being remitted to the County Treasurer in a timely manner. As of June 30, 2011, the County Sheriff had accumulated \$9,459 during the fiscal year from phone card sales.

Neb. Rev. Stat. § 23-1601 requires all money received from whatever source to be deposited with the County Treasurer. Sound accounting practices require that collections be remitted in a timely manner. When these remittances are not made, the County Sheriff is not in compliance with State statute.

We recommend that all money collected by the County Sheriff be remitted to the County Treasurer in a timely manner as required by State statute.

* * * * *

It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the County.

Draft copies of this report were furnished to the County to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The County declined to respond

This report is intended solely for the information and use of the County, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

SIGNED ORIGINAL ON FILE

Deann Haeffner, CPA
Assistant Deputy Auditor