

**AUDIT REPORT
OF
BUTLER COUNTY**

JULY 1, 2012 THROUGH JUNE 30, 2013

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts**

**Modification of this documents may change the accuracy of the original
Document and may be prohibited by law.**

Issued on April 15, 2014

BUTLER COUNTY

TABLE OF CONTENTS

	<u>Page</u>
List of County Officials	1
Financial Section	
Independent Auditor's Report	2 - 4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis	5
Statement of Activities - Cash Basis	6
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	7
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds	8
Statement of Fiduciary Assets and Liabilities - Cash Basis - Fiduciary Funds	9
Notes to Financial Statements	10 - 19
Combining Statements and Schedules:	
Budgetary Comparison Schedule - Budget and Actual - General Fund	20 - 21
Budgetary Comparison Schedule - Budget and Actual - Major Funds	22 - 23
Budgetary Comparison Schedule - Budget and Actual - Nonmajor Funds	24 - 29
Combining Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Nonmajor Governmental Funds	30 - 32
Schedule of Office Activities	33
Schedule of Taxes Certified and Collected for All Political Subdivisions in the County	34
Government Auditing Standards Section	
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 <i>Government Auditing Standards</i>	35 - 36

BUTLER COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Mach	Board of Supervisors	Jan. 2015
Kevin Slama		Jan. 2015
William Kozisek		Jan. 2015
Irvin Cidlik		Jan. 2015
Gregory Janak		Jan. 2017
Tony Krafka		Jan. 2017
Max Birkel		Jan. 2017
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
Max Birkel	Weed Superintendent	Appointed
Jim Truksa	Highway Superintendent	Appointed



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

BUTLER COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Butler County, Nebraska

Report on the Financial Statements

We have audited the accompanying cash-basis 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, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government, as 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 the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Discretely Presented Component Unit	Adverse
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for the County’s legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for that component unit to be reported with the financial data of the County’s primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, net position, receipts, and disbursements of the government-wide financial statements has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of Butler County, as of June 30, 2013, or the change in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of Butler County as of June 30, 2013, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole, which collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, 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.

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, Pages 20-34, are the responsibility of management and were derived from, and relate 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

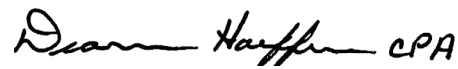
Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2014, 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 considering Butler County's internal control over financial reporting and compliance.

April 7, 2014


Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

BUTLER COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2013

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 1,876,736
Investments (Note 1.D)	3,820,157
TOTAL ASSETS	\$ 5,696,893
 NET POSITION	
Restricted for:	
Visitor Promotion	\$ 13,558
911 Emergency Services	117,337
Debt Service	351,762
Preservation of Records	3,169
Aid and Assistance	13,924
Unrestricted	5,197,143
TOTAL NET POSITION	\$ 5,696,893

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, 2013

Functions:	Cash Disbursements	<u>Program Cash Receipts</u>		Net (Disbursement)
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Receipts and Changes in Net Position
Governmental Activities:				
General Government	\$ (1,753,833)	\$ 373,772	\$ 104,382	\$ (1,275,679)
Public Safety	(1,889,365)	42,842	80,676	(1,765,847)
Public Works	(2,629,174)	1,376	1,338,862	(1,288,936)
Public Assistance	(293,233)	50,434	96,066	(146,733)
Culture and Recreation	(10,085)	-	701	(9,384)
Debt Payments	(233,787)	-	-	(233,787)
Total Governmental Activities	<u>\$ (6,809,477)</u>	<u>\$ 468,424</u>	<u>\$ 1,620,687</u>	<u>(4,720,366)</u>

General Receipts:

Property Taxes	3,877,157
Grants and Contributions Not Restricted to Specific Programs	1,169,333
Investment Income	25,590
Licenses and Permits	37,161
Miscellaneous	197,635
Total General Receipts	<u>5,306,876</u>

Increase in Net Position	586,510
Net Position - Beginning of year	5,110,383
Net Position - End of year	<u>\$ 5,696,893</u>

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, 2013

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Special Road Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents (Note 1.D)	\$ 465,665	\$ 550,322	\$ -	\$ -	\$ 860,749	\$ 1,876,736
Investments (Note 1.D)	604,190	-	2,110,515	1,049,517	55,935	3,820,157
TOTAL ASSETS	<u>\$ 1,069,855</u>	<u>\$ 550,322</u>	<u>\$ 2,110,515</u>	<u>\$ 1,049,517</u>	<u>\$ 916,684</u>	<u>\$ 5,696,893</u>
FUND BALANCES						
Restricted for:						
Visitor Promotion	-	-	-	-	13,558	13,558
911 Emergency Services	-	-	-	-	117,337	117,337
Debt Service	-	-	-	-	351,762	351,762
Preservation of Records	-	-	-	-	3,169	3,169
Aid and Assistance	-	-	-	-	13,924	13,924
Committed to:						
Law Enforcement	-	-	-	-	42,370	42,370
Road Maintenance	-	550,322	-	1,049,517	-	1,599,839
Aid and Assistance	-	-	-	-	339,863	339,863
Equipment	-	-	-	-	8,000	8,000
Weed Control	-	-	-	-	26,701	26,701
Assigned to:						
Other Purposes	-	-	2,110,515	-	-	2,110,515
Unassigned	1,069,855	-	-	-	-	1,069,855
TOTAL CASH BASIS FUND BALANCES	<u>\$ 1,069,855</u>	<u>\$ 550,322</u>	<u>\$ 2,110,515</u>	<u>\$ 1,049,517</u>	<u>\$ 916,684</u>	<u>\$ 5,696,893</u>

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, 2013

	General Fund	Road Fund	Inheritance Fund	Special Road Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 3,070,551	\$ -	\$ 460,478	\$ -	\$ 346,128	\$ 3,877,157
Licenses and Permits	36,936	225	-	-	-	37,161
Interest	23,135	-	-	-	2,455	25,590
Intergovernmental	786,464	1,823,581	-	5,331	174,644	2,790,020
Charges for Services	413,445	-	-	-	54,979	468,424
Miscellaneous	14,919	116,764	-	-	65,952	197,635
TOTAL RECEIPTS	4,345,450	1,940,570	460,478	5,331	644,158	7,395,987
DISBURSEMENTS						
General Government	1,645,537	-	107,772	-	524	1,753,833
Public Safety	1,587,915	-	-	-	301,450	1,889,365
Public Works	54,574	2,536,175	-	-	38,425	2,629,174
Public Assistance	125,370	-	-	-	167,863	293,233
Culture and Recreation	-	-	-	-	10,085	10,085
Debt Service:						
Principal Payments	-	-	-	-	180,000	180,000
Interest and Fiscal Charges	-	-	-	-	53,787	53,787
TOTAL DISBURSEMENTS	3,413,396	2,536,175	107,772	-	752,134	6,809,477
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	932,054	(595,605)	352,706	5,331	(107,976)	586,510
OTHER FINANCING SOURCES (USES)						
Transfers in	400,000	812,760	-	250,000	440,785	1,903,545
Transfers out	(1,084,568)	(250,000)	(400,000)	-	(168,977)	(1,903,545)
TOTAL OTHER FINANCING SOURCES (USES)	(684,568)	562,760	(400,000)	250,000	271,808	-
Net Change in Fund Balances	247,486	(32,845)	(47,294)	255,331	163,832	586,510
CASH BASIS FUND BALANCES - BEGINNING	822,369	583,167	2,157,809	794,186	752,852	5,110,383
CASH BASIS FUND BALANCES - ENDING	\$ 1,069,855	\$ 550,322	\$ 2,110,515	\$ 1,049,517	\$ 916,684	\$ 5,696,893

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, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 487,830
Investments	704,962
TOTAL ASSETS	1,192,792
 LIABILITIES	
Due to other governments	
State	159,254
Schools	189,860
Educational Service Units	1,929
Technical College	15,026
Natural Resource Districts	4,960
Fire Districts	5,309
Municipalities	21,251
Agricultural Society	1,277
Townships	12,158
Sanitary and Improvement Districts	44,492
Hospital	704,962
Others	32,314
TOTAL LIABILITIES	1,192,792
 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, 2013

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 that 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's activities

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

based on formulas developed by the Region's governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$29,395 toward the operation of the Region during fiscal year 2013. 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. The agreement was established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2009, Cum. Supp. 2012).

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 did not contribute toward the operation of the Department during fiscal year 2013. 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 in accordance with Neb. Rev. Stat. § 84-304(4) (Supp. 2013). Financial information for the Department is available in that report.

B. Basis of Presentation

Government-Wide Financial Statements. The Statement of Net Position - 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. 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, 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

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 and is primarily funded by State tax receipts.

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

Special Road Fund. This fund is used to account for funds set aside and costs associated with specific road projects.

The County reports the following additional non-major governmental 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. The only fund of this type is the Courthouse Bond Fund, which accounts for the resources for, and the payment of, general long-term debt principal, interest, and related costs.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS
(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 balance has not been designated by the County Board for a specific purpose, but it has been separated based on the type of revenue.

Unassigned. This portion of the General Fund is 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 Position - 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 requires 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 are generally 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)

D. Assets and Net Position

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 Position. 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 position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$499,750 of restricted net position, of which \$134,064 is restricted by enabling legislation.

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

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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.

Excess of Disbursements Over Appropriations. For the year ended June 30, 2013, disbursements exceeded budgeted appropriations in the 911 Wireless Service Fund by \$17,556. These over-expenditures were funded by the available fund balance in the 911 Wireless Service Fund.

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 \$1,889,981 for County funds and \$487,830 for Fiduciary funds. The bank balances for all funds totaled \$2,338,737. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2013, 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 is stated at cost, which approximates market value. Investments consisted of \$7,428 in Cole Real Estate Investments, \$48,507 in Butler County Area Foundation Fund, and of \$3,750,977 for County funds and \$718,206 for Fiduciary funds deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a seven-member

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 that 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 participants 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 Investments and the Butler County Area Foundation Fund were held by the County or its agent in the name of the County.

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 they 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. Counties may levy taxes in addition to the 50 cent limitation upon a vote of the people.

The levy set in October 2012, for the 2012 taxes, which will be materially collected in May and September 2013, was set at \$.206342/\$100 of assessed valuation. The levy set in October 2011, for the 2011 taxes, which were materially collected in May and September 2012, was set at \$.224132/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

Additionally, there is currently a statutory lid limitation, which limits taxation to the prior year's level, with provisions for growth. The lid may be increased by 1% upon the approval of 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 23-2334 (Reissue 2012, Supp. 2013) and may be amended through legislative action.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 18. 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, 2013, 102 employees contributed \$122,783, and the County contributed \$182,327. Contributions included \$3,677 in cash contributions towards the supplemental law enforcement plan for 11 law enforcement employees. Lastly, the County paid \$1,118 directly to 16 retired employees for prior service benefits.

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 79 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 60 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

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 2014. The County has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

6. Interfund Transfers

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfers to	Transfers from				Total
	General Fund	Inheritance Fund	Road Fund	Nonmajor Funds	
Road Fund	\$ 812,760	\$	\$	\$	\$ 812,760
General Fund		400,000			400,000
Special Road Fund			250,000		250,000
Nonmajor Funds	271,808			168,977	440,785
Total	\$ 1,084,568	\$ 400,000	\$ 250,000	\$ 168,977	\$ 1,903,545

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.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

7. **Contingent Liabilities**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the County Attorney believes the resolution of these matters will not have a materially 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 paying the costs 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, 2013, was \$1,690,000. 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	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	185,000	50,907	235,907
2015	190,000	47,485	237,485
2016	195,000	43,305	238,305
2017	195,000	38,138	233,138
2018	205,000	32,385	237,385
2019-2022	<u>720,000</u>	<u>57,880</u>	<u>797,880</u>
Total Payments	<u>1,690,000</u>	<u>270,100</u>	<u>1,960,100</u>

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. In May 2012 the County Board of Supervisors issued General Obligation Bonds in the original amount of \$8,000,000 issued for the purpose of paying for costs related to the construction of additions and improvements to the existing hospital facility. The bond payable balance, as of June 30, 2013, was \$10,290,000. 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.

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 3,132,848	\$ 3,132,848	\$3,070,551	\$ (62,297)
Licenses and Permits	33,500	33,500	36,936	3,436
Interest	10,000	10,000	23,135	13,135
Intergovernmental	262,269	352,269	786,464	434,195
Charges for Services	293,000	293,000	413,445	120,445
Miscellaneous	-	-	14,919	14,919
TOTAL RECEIPTS	3,731,617	3,821,617	4,345,450	523,833
DISBURSEMENTS				
General Government:				
County Board	216,533	216,533	215,118	1,415
County Clerk	153,687	153,687	151,778	1,909
County Treasurer	151,399	151,399	149,259	2,140
County Assessor	188,184	188,184	182,164	6,020
Election Commissioner	60,066	60,066	47,492	12,574
Data Processing Department	53,000	53,000	43,153	9,847
Clerk of the District Court	167,673	167,673	152,639	15,034
County Court System	10,500	10,500	10,486	14
Public Defender	164,285	164,285	114,500	49,785
Building and Grounds	221,797	221,797	208,702	13,095
Reappraisal	42,831	42,831	41,877	954
Agricultural Extension Agent	88,307	88,307	75,652	12,655
Miscellaneous	281,788	281,788	252,717	29,071
Public Safety				
County Sheriff	585,624	675,624	665,515	10,109
County Attorney	213,778	213,778	202,634	11,144
County Jail	652,482	652,482	652,078	404
Juvenile Diversion	17,916	17,916	16,376	1,540
County Attorney-Child Support	17,865	17,865	-	17,865
Miscellaneous	30,500	30,500	51,312	(20,812)
Public Works				
County Surveyor	65,399	65,399	54,574	10,825
Public Assistance				
Veterans' Service Officer	38,624	38,624	38,340	284
Victims Assistance Program	27,832	27,832	27,790	42
Miscellaneous	69,348	69,348	59,240	10,108
TOTAL DISBURSEMENTS	3,519,418	3,609,418	3,413,396	196,022

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	212,199	212,199	932,054	719,855
OTHER FINANCING SOURCES (USES)				
Transfers in	400,000	400,000	400,000	-
Transfers out	(1,084,568)	(1,084,568)	(1,084,568)	-
TOTAL OTHER FINANCING SOURCES (USES)	(684,568)	(684,568)	(684,568)	-
Net Change in Fund Balance	(472,369)	(472,369)	247,486	719,855
FUND BALANCE - BEGINNING	822,369	822,369	822,369	-
FUND BALANCE - ENDING	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$1,069,855</u>	<u>\$ 719,855</u>

(Concluded)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Licenses and Permits	-	-	225	225
Intergovernmental	1,668,303	1,668,303	1,823,581	155,278
Miscellaneous	44,750	44,750	116,764	72,014
TOTAL RECEIPTS	<u>1,713,053</u>	<u>1,713,053</u>	<u>1,940,570</u>	<u>227,517</u>
DISBURSEMENTS	<u>3,008,980</u>	<u>3,008,980</u>	<u>2,536,175</u>	<u>472,805</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,295,927)</u>	<u>(1,295,927)</u>	<u>(595,605)</u>	<u>700,322</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	812,760	812,760	812,760	-
Transfers out	(100,000)	(100,000)	(250,000)	(150,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>712,760</u>	<u>712,760</u>	<u>562,760</u>	<u>(150,000)</u>
Net Change in Fund Balance	(583,167)	(583,167)	(32,845)	550,322
FUND BALANCE - BEGINNING	<u>583,167</u>	<u>583,167</u>	<u>583,167</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 550,322</u>	<u>\$ 550,322</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 100,250	\$ 100,250	\$ 460,478	\$ 360,228
TOTAL RECEIPTS	<u>100,250</u>	<u>100,250</u>	<u>460,478</u>	<u>360,228</u>
DISBURSEMENTS	<u>1,858,059</u>	<u>1,858,059</u>	<u>107,772</u>	<u>1,750,287</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,757,809)</u>	<u>(1,757,809)</u>	<u>352,706</u>	<u>2,110,515</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(400,000)	(400,000)	(400,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Net Change in Fund Balance	(2,157,809)	(2,157,809)	(47,294)	2,110,515
FUND BALANCE - BEGINNING	<u>2,157,809</u>	<u>2,157,809</u>	<u>2,157,809</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,110,515</u>	<u>\$ 2,110,515</u>

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
SPECIAL ROAD FUND				
RECEIPTS				
Intergovernmental	-	-	5,331	5,331
TOTAL RECEIPTS	-	-	5,331	5,331
DISBURSEMENTS				
	894,186	894,186	-	894,186
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS				
	(894,186)	(894,186)	5,331	899,517
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	250,000	150,000
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	100,000	100,000	250,000	150,000
Net Change in Fund Balance	(794,186)	(794,186)	255,331	1,049,517
FUND BALANCE - BEGINNING	794,186	794,186	794,186	-
FUND BALANCE - ENDING	\$ -	\$ -	\$1,049,517	\$ 1,049,517

(Concluded)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EMERGENCY MANAGEMENT FUND				
RECEIPTS	\$ 20,000	\$ 20,000	\$ 34,694	\$ 14,694
DISBURSEMENTS	68,068	68,068	60,180	7,888
OTHER FINANCING SOURCES (USES)				
Transfers in	30,261	30,261	30,261	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	30,261	30,261	30,261	-
Net Change in Fund Balance	(17,807)	(17,807)	4,775	22,582
FUND BALANCE - BEGINNING	17,807	17,807	17,807	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 22,582	\$ 22,582
EQUIPMENT SINKING FUND				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	8,000	8,000	-	8,000
OTHER FINANCING SOURCES (USES)				
Transfers in	4,000	4,000	4,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	4,000	4,000	4,000	-
Net Change in Fund Balance	(4,000)	(4,000)	4,000	8,000
FUND BALANCE - BEGINNING	4,000	4,000	4,000	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 8,000	\$ 8,000
VISITOR'S PROMOTION FUND				
RECEIPTS	\$ 2,000	\$ 2,000	\$ 3,398	\$ 1,398
DISBURSEMENTS	7,491	7,491	85	7,406
Net Change in Fund Balance	(5,491)	(5,491)	3,313	8,804
FUND BALANCE - BEGINNING	5,491	5,491	5,491	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 8,804	\$ 8,804

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
VISITOR'S IMPROVEMENT FUND				
RECEIPTS	\$ 2,000	\$ 2,000	\$ 3,398	\$ 1,398
DISBURSEMENTS	13,356	13,356	10,000	3,356
Net Change in Fund Balance	(11,356)	(11,356)	(6,602)	4,754
FUND BALANCE - BEGINNING	11,356	11,356	11,356	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 4,754	\$ 4,754
REGISTER OF DEEDS PRESERVATION FUND				
RECEIPTS	\$ 2,000	\$ 2,000	\$ 3,169	\$ 1,169
DISBURSEMENTS	2,000	2,000	-	2,000
Net Change in Fund Balance	-	-	3,169	3,169
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 3,169	\$ 3,169
RELIEF MEDICAL FUND				
RECEIPTS	\$ 14,362	\$ 14,362	\$ 9,702	\$ (4,660)
DISBURSEMENTS	30,000	30,000	7,510	22,490
Net Change in Fund Balance	(15,638)	(15,638)	2,192	17,830
FUND BALANCE - BEGINNING	15,638	15,638	15,638	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 17,830	\$ 17,830
INSTITUTION FUND				
RECEIPTS	\$ 7,491	\$ 7,491	\$ 5,065	\$ (2,426)
DISBURSEMENTS	35,000	35,000	11,344	23,656
Net Change in Fund Balance	(27,509)	(27,509)	(6,279)	21,230
FUND BALANCE - BEGINNING	27,509	27,509	27,509	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 21,230	\$ 21,230

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>VETERAN'S AID FUND</u>				
RECEIPTS	\$ 2,909	\$ 2,909	\$ 2,006	\$ (903)
DISBURSEMENTS	25,000	25,000	4,000	21,000
Net Change in Fund Balance	(22,091)	(22,091)	(1,994)	20,097
FUND BALANCE - BEGINNING	22,091	22,091	22,091	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,097</u>	<u>\$ 20,097</u>
<u>RURAL TRANSIT SERVICE FUND</u>				
RECEIPTS	\$ 47,203	\$ 47,203	\$ 35,757	\$ (11,446)
DISBURSEMENTS	58,002	58,002	32,632	25,370
OTHER FINANCING SOURCES (USES)				
Transfers in	10,799	10,799	10,799	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,799</u>	<u>10,799</u>	<u>10,799</u>	<u>-</u>
Net Change in Fund Balance	-	-	13,924	13,924
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,924</u>	<u>\$ 13,924</u>
<u>SENIOR SERVICES PROGRAM FUND</u>				
RECEIPTS	\$ 40,535	\$ 40,535	\$ 122,743	\$ 82,208
DISBURSEMENTS	159,069	159,069	112,377	46,692
OTHER FINANCING SOURCES (USES)				
Transfers in	16,500	16,500	16,500	-
Transfers out	(107,781)	(107,781)	(107,781)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(91,281)</u>	<u>(91,281)</u>	<u>(91,281)</u>	<u>-</u>
Net Change in Fund Balance	(209,815)	(209,815)	(80,915)	128,900
FUND BALANCE - BEGINNING	209,815	209,815	209,815	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,900</u>	<u>\$ 128,900</u>

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
SENIOR SERVICES SAVINGS FUND				
RECEIPTS	\$ -	\$ -	\$ 44,025	\$ 44,025
DISBURSEMENTS	107,781	107,781	-	107,781
OTHER FINANCING SOURCES (USES)				
Transfers in	107,781	107,781	107,781	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	107,781	107,781	107,781	-
Net Change in Fund Balance	-	-	151,806	151,806
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 151,806	\$ 151,806
STOP PROGRAM FUND				
RECEIPTS	\$ 5,000	\$ 5,000	\$ 6,043	\$ 1,043
DISBURSEMENTS	19,840	19,840	5,017	14,823
Net Change in Fund Balance	(14,840)	(14,840)	1,026	15,866
FUND BALANCE - BEGINNING	14,840	14,840	14,840	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 15,866	\$ 15,866
CANINE (K-9) FUND				
RECEIPTS	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
DISBURSEMENTS	4,120	4,120	198	3,922
Net Change in Fund Balance	(3,120)	(3,120)	802	3,922
FUND BALANCE - BEGINNING	3,120	3,120	3,120	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 3,922	\$ 3,922

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
FEDERAL GRANTS FUND				
RECEIPTS	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
DISBURSEMENTS	100,000	100,000	-	100,000
Net Change in Fund Balance	-	-	-	-
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
911 WIRELESS SERVICE FUND				
RECEIPTS	\$ 30,000	\$ 30,000	\$ 57,679	\$ 27,679
DISBURSEMENTS	32,999	32,999	7,296	25,703
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(17,937)	(17,937)	(61,196)	(43,259)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(17,937)</u>	<u>(17,937)</u>	<u>(61,196)</u>	<u>(43,259)</u>
Net Change in Fund Balance	(20,936)	(20,936)	(10,813)	10,123
FUND BALANCE - BEGINNING	20,936	20,936	20,936	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,123</u>	<u>\$ 10,123</u>
911 WIRELESS SERVICE HOLDING FUND				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	39,193	39,193	-	39,193
OTHER FINANCING SOURCES (USES)				
Transfers in	17,937	17,937	61,196	43,259
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>17,937</u>	<u>17,937</u>	<u>61,196</u>	<u>43,259</u>
Net Change in Fund Balance	(21,256)	(21,256)	61,196	82,452
FUND BALANCE - BEGINNING	21,256	21,256	21,256	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,452</u>	<u>\$ 82,452</u>

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COURTHOUSE BOND FUND				
RECEIPTS	\$ 234,312	\$ 234,312	\$ 246,164	\$ 11,852
DISBURSEMENTS	574,221	574,221	234,311	339,910
Net Change in Fund Balance	(339,909)	(339,909)	11,853	351,762
FUND BALANCE - BEGINNING	339,909	339,909	339,909	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,762</u>	<u>\$ 351,762</u>
NOXIOUS WEED CONTROL FUND				
RECEIPTS	\$ -	\$ -	\$ 1,376	\$ 1,376
DISBURSEMENTS	63,750	63,750	38,425	25,325
OTHER FINANCING SOURCES (USES)				
Transfers in	42,293	42,293	42,293	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>42,293</u>	<u>42,293</u>	<u>42,293</u>	<u>-</u>
Net Change in Fund Balance	(21,457)	(21,457)	5,244	26,701
FUND BALANCE - BEGINNING	21,457	21,457	21,457	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,701</u>	<u>\$ 26,701</u>
E911 EMERGENCY ASSISTANCE FUND				
RECEIPTS	\$ 49,003	\$ 49,003	\$ 67,939	\$ 18,936
DISBURSEMENTS	234,585	234,585	228,759	5,826
OTHER FINANCING SOURCES (USES)				
Transfers in	167,955	167,955	167,955	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>167,955</u>	<u>167,955</u>	<u>167,955</u>	<u>-</u>
Net Change in Fund Balance	(17,627)	(17,627)	7,135	24,762
FUND BALANCE - BEGINNING	17,627	17,627	17,627	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,762</u>	<u>\$ 24,762</u>

(Concluded)

BUTLER COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Emergency Management Fund	Equipment Sinking Fund	Visitor's Promotion Fund	Visitor's Improvement Fund	Register of Deeds Preservation Fund	Relief Medical Fund
RECEIPTS						
Property Taxes	\$ -	\$ -	\$ 3,398	\$ 3,398	\$ -	\$ 8,916
Interest	-	-	-	-	-	-
Intergovernmental	28,248	-	-	-	-	786
Charges for Services	-	-	-	-	3,169	-
Miscellaneous	6,446	-	-	-	-	-
TOTAL RECEIPTS	<u>34,694</u>	<u>-</u>	<u>3,398</u>	<u>3,398</u>	<u>3,169</u>	<u>9,702</u>
DISBURSEMENTS						
General Government	-	-	-	-	-	-
Public Safety	60,180	-	-	-	-	-
Public Works	-	-	-	-	-	-
Public Assistance	-	-	-	-	-	7,510
Culture and Recreation	-	-	85	10,000	-	-
Debt Service:						
Principal Payments	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>60,180</u>	<u>-</u>	<u>85</u>	<u>10,000</u>	<u>-</u>	<u>7,510</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(25,486)</u>	<u>-</u>	<u>3,313</u>	<u>(6,602)</u>	<u>3,169</u>	<u>2,192</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	30,261	4,000	-	-	-	-
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>30,261</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	4,775	4,000	3,313	(6,602)	3,169	2,192
FUND BALANCES - BEGINNING	<u>17,807</u>	<u>4,000</u>	<u>5,491</u>	<u>11,356</u>	<u>-</u>	<u>15,638</u>
FUND BALANCES - ENDING	<u>\$ 22,582</u>	<u>\$ 8,000</u>	<u>\$ 8,804</u>	<u>\$ 4,754</u>	<u>\$ 3,169</u>	<u>\$ 17,830</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	8,804	4,754	-	-
911 Emergency Services	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Preservation of Records	-	-	-	-	3,169	-
Aid and Assistance	-	-	-	-	-	-
Committed to:						
Law Enforcement	22,582	-	-	-	-	-
Aid and Assistance	-	-	-	-	-	17,830
Equipment	-	8,000	-	-	-	-
Weed Control	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 22,582</u>	<u>\$ 8,000</u>	<u>\$ 8,804</u>	<u>\$ 4,754</u>	<u>\$ 3,169</u>	<u>\$ 17,830</u>

BUTLER COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Institution Fund	Veteran's Aid Fund	Rural Transit Service Fund	Senior Services Program Fund	Senior Services Savings Fund	STOP Program Fund	Canine (K- 9) Fund
RECEIPTS							
Property Taxes	\$ 4,656	\$ 1,807	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	2,455	-	-
Intergovernmental	409	159	30,288	66,925	-	-	-
Charges for Services	-	-	5,469	44,965	-	-	-
Miscellaneous	-	40	-	10,853	41,570	6,043	1,000
TOTAL RECEIPTS	<u>5,065</u>	<u>2,006</u>	<u>35,757</u>	<u>122,743</u>	<u>44,025</u>	<u>6,043</u>	<u>1,000</u>
DISBURSEMENTS							
General Government	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	5,017	198
Public Works	-	-	-	-	-	-	-
Public Assistance	11,344	4,000	32,632	112,377	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Debt Service:							
Principal Payments	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>11,344</u>	<u>4,000</u>	<u>32,632</u>	<u>112,377</u>	<u>-</u>	<u>5,017</u>	<u>198</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(6,279)</u>	<u>(1,994)</u>	<u>3,125</u>	<u>10,366</u>	<u>44,025</u>	<u>1,026</u>	<u>802</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	10,799	16,500	107,781	-	-
Transfers out	-	-	-	(107,781)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>10,799</u>	<u>(91,281)</u>	<u>107,781</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(6,279)	(1,994)	13,924	(80,915)	151,806	1,026	802
FUND BALANCES - BEGINNING	<u>27,509</u>	<u>22,091</u>	<u>-</u>	<u>209,815</u>	<u>-</u>	<u>14,840</u>	<u>3,120</u>
FUND BALANCES - ENDING	<u>\$ 21,230</u>	<u>\$ 20,097</u>	<u>\$ 13,924</u>	<u>\$ 128,900</u>	<u>\$ 151,806</u>	<u>\$ 15,866</u>	<u>\$ 3,922</u>
FUND BALANCES:							
Restricted for:							
Visitor Promotion	-	-	-	-	-	-	-
911 Emergency Services	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Preservation of Records	-	-	-	-	-	-	-
Aid and Assistance	-	-	13,924	-	-	-	-
Committed to:							
Law Enforcement	-	-	-	-	-	15,866	3,922
Aid and Assistance	21,230	20,097	-	128,900	151,806	-	-
Equipment	-	-	-	-	-	-	-
Weed Control	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 21,230</u>	<u>\$ 20,097</u>	<u>\$ 13,924</u>	<u>\$ 128,900</u>	<u>\$ 151,806</u>	<u>\$ 15,866</u>	<u>\$ 3,922</u>

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

For the Year Ended June 30, 2013

	911 Wireless Service Fund	911 Wireless Service Holding Fund	Courthouse Bond Fund	Noxious Weed Control Fund	E911 Emergency Assistance Fund	Total Nonmajor Governmental Funds
RECEIPTS						
Property Taxes	\$ 57,679	\$ -	\$ 232,266	\$ -	\$ 34,008	\$ 346,128
Interest	-	-	-	-	-	2,455
Intergovernmental	-	-	13,898	-	33,931	174,644
Charges for Services	-	-	-	1,376	-	54,979
Miscellaneous	-	-	-	-	-	65,952
TOTAL RECEIPTS	<u>57,679</u>	<u>-</u>	<u>246,164</u>	<u>1,376</u>	<u>67,939</u>	<u>644,158</u>
DISBURSEMENTS						
General Government	-	-	524	-	-	524
Public Safety	7,296	-	-	-	228,759	301,450
Public Works	-	-	-	38,425	-	38,425
Public Assistance	-	-	-	-	-	167,863
Culture and Recreation	-	-	-	-	-	10,085
Debt Service:						-
Principal Payments	-	-	180,000	-	-	180,000
Interest and Fiscal Charges	-	-	53,787	-	-	53,787
TOTAL DISBURSEMENTS	<u>7,296</u>	<u>-</u>	<u>234,311</u>	<u>38,425</u>	<u>228,759</u>	<u>752,134</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>50,383</u>	<u>-</u>	<u>11,853</u>	<u>(37,049)</u>	<u>(160,820)</u>	<u>(107,976)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	61,196	-	42,293	167,955	440,785
Transfers out	(61,196)	-	-	-	-	(168,977)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(61,196)</u>	<u>61,196</u>	<u>-</u>	<u>42,293</u>	<u>167,955</u>	<u>271,808</u>
Net Change in Fund Balances	(10,813)	61,196	11,853	5,244	7,135	163,832
FUND BALANCES - BEGINNING	<u>20,936</u>	<u>21,256</u>	<u>339,909</u>	<u>21,457</u>	<u>17,627</u>	<u>752,852</u>
FUND BALANCES - ENDING	<u>\$ 10,123</u>	<u>\$ 82,452</u>	<u>\$ 351,762</u>	<u>\$ 26,701</u>	<u>\$ 24,762</u>	<u>\$ 916,684</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	13,558
911 Emergency Services	10,123	82,452	-	-	24,762	117,337
Debt Service	-	-	351,762	-	-	351,762
Preservation of Records	-	-	-	-	-	3,169
Aid and Assistance	-	-	-	-	-	13,924
Committed to:						
Law Enforcement	-	-	-	-	-	42,370
Aid and Assistance	-	-	-	-	-	339,863
Equipment	-	-	-	-	-	8,000
Weed Control	-	-	-	26,701	-	26,701
TOTAL FUND BALANCES	<u>\$ 10,123</u>	<u>\$ 82,452</u>	<u>\$ 351,762</u>	<u>\$ 26,701</u>	<u>\$ 24,762</u>	<u>\$ 916,684</u>

BUTLER COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2013

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	County Detention Center	Highway Superin- tendent	Veterans' Service Officer	County Senior Services	Total
BALANCES JULY 1, 2012	\$ 9,609	\$ 54,757	\$ 5,419	\$ 462	\$ 38,220	\$ 479	\$ 4,345	\$ 214,861	\$ 328,152
RECEIPTS									
Licenses and Permits	-	-	-	-	-	250	-	-	250
Intergovernmental	-	-	16,000	-	-	724,411	4,000	59,236	803,647
Charges for Services	74,546	9,366	24,411	-	286,040	115,107	-	55,612	565,082
Miscellaneous	-	-	-	-	-	-	-	3,411	3,411
State Fees	85,354	13,391	-	-	318	-	-	-	99,063
Other Liabilities	230	143,216	10,343	70	210,747	-	-	-	364,606
TOTAL RECEIPTS	160,130	165,973	50,754	70	497,105	839,768	4,000	118,259	1,836,059
DISBURSEMENTS									
Payments to County Treasurer	74,252	8,468	39,838	-	263,131	710,639	-	326,000	1,422,328
Payments to State Treasurer	85,559	12,714	-	-	149	-	-	-	98,422
Other Liabilities	230	164,747	9,361	70	208,292	-	5,184	5,894	393,778
TOTAL DISBURSEMENTS	160,041	185,929	49,199	70	471,572	710,639	5,184	331,894	1,914,528
BALANCES JUNE 30, 2013	\$ 9,698	\$ 34,801	\$ 6,974	\$ 462	\$ 63,753	\$ 129,608	\$ 3,161	\$ 1,226	\$ 249,683
BALANCES CONSIST OF:									
Due to County Treasurer	\$ 4,829	\$ 1,801	\$ 2,322	\$ 462	\$ 56,150	\$ 129,608	\$ 3,161	\$ 726	\$ 199,059
Petty Cash	-	-	3,500	-	3,500	-	-	500	7,500
Due to State Treasurer	4,869	1,282	-	-	246	-	-	-	6,397
Due to Others	-	31,718	1,152	-	3,857	-	-	-	36,727
BALANCES JUNE 30, 2013	\$ 9,698	\$ 34,801	\$ 6,974	\$ 462	\$ 63,753	\$ 129,608	\$ 3,161	\$ 1,226	\$ 249,683

BUTLER COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED FOR
ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2013

Item	2008	2009	2010	2011	2012
Tax Certified by Assessor					
Real Estate	\$ 14,581,243	\$ 15,956,016	\$ 18,088,063	\$ 19,719,390	\$ 20,676,238
Personal and Specials	952,141	1,166,900	1,374,706	1,813,626	2,780,915
Total	<u>15,533,384</u>	<u>17,122,916</u>	<u>19,462,769</u>	<u>21,533,016</u>	<u>23,457,153</u>
Corrections					
Additions	10,649	7,099	7,232	7,974	2,615
Deductions	<u>(7,980)</u>	<u>(11,582)</u>	<u>(17,321)</u>	<u>(8,089)</u>	<u>(8,599)</u>
Net Additions/ (Deductions)	<u>2,669</u>	<u>(4,483)</u>	<u>(10,089)</u>	<u>(115)</u>	<u>(5,984)</u>
Corrected Certified Tax	<u>15,536,053</u>	<u>17,118,433</u>	<u>19,452,680</u>	<u>21,532,901</u>	<u>23,451,169</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2009	9,317,086		-	-	-
June 30, 2010	6,204,223	10,394,792	-	-	-
June 30, 2011	8,223	6,723,333	12,044,987	-	-
June 30, 2012	3,966	(4,936)	7,398,151	13,429,098	-
June 30, 2013	<u>762</u>	<u>3,638</u>	<u>6,190</u>	<u>8,085,187</u>	<u>14,805,410</u>
Total Net Collections	<u>15,534,260</u>	<u>17,116,827</u>	<u>19,449,328</u>	<u>21,514,285</u>	<u>14,805,410</u>
Total Uncollected Tax	<u>\$ 1,793</u>	<u>\$ 1,606</u>	<u>\$ 3,352</u>	<u>\$ 18,616</u>	<u>\$ 8,645,759</u>
Percentage Uncollected Tax	<u>0.01%</u>	<u>0.01%</u>	<u>0.02%</u>	<u>0.09%</u>	<u>36.87%</u>



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Butler County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Butler County's basic financial statements, and have issued our report thereon dated April 7, 2014. 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 Hospital, a component unit of Butler County.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Butler County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Butler County's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not 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, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency to be a material weakness:

- The County offices lacked a segregation of duties, as 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*.

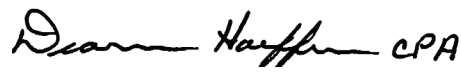
Additional Items

We also noted certain matters that we reported to management of Butler County in a separate letter dated April 7, 2014.

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 result 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.

April 7, 2014

 CPA
Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

April 7, 2014

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, 2013, and have issued our report thereon dated April 7, 2014. 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 lacked a segregation of duties, as 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

Over-expended Budget

Neb. Rev. Stat. § 23-916 (Reissue 2012) states, in relevant part:

After the adoption of the county budget, no officer, department or other expending agency shall expend or contract to be expended any money, or incur any liability, or enter into any contract which, by its terms, involves the expenditure of money not provided for in the budget, or which involves the expenditure of any money for any of the purposes for which provision is made in the budget in excess of the amounts provided in said budget for such office, department or other expending agency, or purpose, for such fiscal year.

During the fiscal year ended June 30, 2013, we noted the 911 Wireless Service Fund had expenditures of \$17,556 in excess of the approved budget. When expenditures are allowed to exceed the adopted budget, without proper procedures to amend such budget, the public is not made aware of the full cost of operating the County.

We recommend the County Board review budget allowances prior to expenditures being made to ensure expenditures do not exceed the adopted budgeted amounts.

Lack of Adequate Collateral for Deposits

Neb. Rev. Stat. § 77-2395(1) (Reissue 2009) states, in relevant part:

[T]he custodial official shall not have on deposit in such depository any public money or public funds in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation, unless and until the depository has furnished to the custodial official securities, the market value of which are in an amount not less than one hundred two percent of the amount on deposit which is in excess of the amount so insured or guaranteed.

A good internal control plan requires policies and procedures be established for the review of depository fund balances in excess of the Federal Deposit Insurance Corporation (FDIC) limit to ensure they are properly collateralized.

During the audit, we reviewed monthly bank statements for the County Board vendor bank account. Our review revealed inadequate collateral coverage for 18 days during the fiscal year, with one day indicating uninsured deposits totaling \$897,932. When bank balances are not adequately collateralized, the County increases the risk of loss of funds and is not in compliance with State statute.

We recommend the County establish policies and procedures for the regular monitoring of bank balances to ensure adequate pledged collateral is established to protect the County's funds in accordance with State statute.

County's Response: Procedures have been put in place to regularly monitor the bank balances to ensure that there is adequate pledged collateral to protect the County's funds in accordance with State statute.

COUNTY SHERIFF

Balancing Procedures

The County Sheriff does not have procedures in place to determine accurate asset to liability balancing. At June 30, 2013, the County Sheriff's records indicated the bank account exceeded liabilities by \$424. We also noted an inability to provide an accurate listing of accounts receivable and payables at June 30, 2013.

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 remit excess amounts to the County Treasurer and implement balancing procedures to insure assets agree to liabilities at all times. We further recommend listings of accounts receivables and accounts payables are maintained to support the balancing procedures.

Unclaimed Property

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009) states:

Except as otherwise provided by law, all intangible personal property held for the owner by any court, public corporation, public authority, or public officer of this state, or a political subdivision thereof, that has remained unclaimed by the owner for more than three years is presumed abandoned.

Neb. Rev. Stat. § 69-1310 (Reissue 2009) states in relevant part:

- (a) Every person holding funds or other property, tangible or intangible, presumed abandoned under the Uniform Disposition of Unclaimed Property Act shall report to the State Treasurer with respect to the property as hereinafter provided.*
- (d) The report shall be filed before November 1 of each year as of June 30 next preceding.*

During our audit, we noted the County Sheriff had eight checks totaling \$180 that had remained unclaimed for more than three years and had not been remitted to the State Treasurer in accordance with the Unclaimed Property Act.

We recommend all personal property, including uncashed checks that remain unclaimed for more than three years, be remitted to the State Treasurer in accordance with the Unclaimed Property Act.

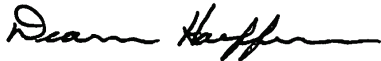
* * * *

It should be noted this report is critical in nature, as 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 management with an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the County declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

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. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,



Deann Haeffner
Assistant Deputy Auditor