

**AUDIT REPORT
OF
BUTLER COUNTY**

JULY 1, 2016, THROUGH JUNE 30, 2017

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Issued on March 29, 2018

BUTLER COUNTY

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BUTLER COUNTY
451 N 5th St.
David City, NE 68632

LIST OF COUNTY OFFICIALS
At June 30, 2017

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors	David Mach	Jan. 2019
	Gregory Janak	Jan. 2021
	Scott Steager	Jan. 2019
	Kevin Slama	Jan. 2019
	Max Birkel	Jan. 2021
	David Potter	Jan. 2019
	Tony Krafka	Jan. 2021
Assessor	Vicki Donoghue	Jan. 2019
Attorney	Julie Reiter	Jan. 2019
Clerk	Vicki Truksa	Jan. 2019
Election Commissioner		
Register of Deeds		
Clerk of the District Court	Nancy Prochaska	Jan. 2019
Sheriff	Marcus Siebken	Jan. 2019
Surveyor	Brian Foral	Jan. 2019
Treasurer	Karey Adamy	Jan. 2019
Veterans' Service Officer	Dean Kriz	Appointed
Weed Superintendent	Max Birkel	Appointed
Highway Superintendent	Jim Rerucha	Appointed
Senior Services	Diana McDonald	Appointed
Floodplain Administrator	Robin Sullivan	Appointed
Emergency Manager	Scott Steager	Appointed



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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, 2017, 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, 2017, 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, 2017, 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.

Emphasis of Matters – 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.

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 20-33, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2018, 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.

March 20, 2018



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

BUTLER COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2017

		Governmental Activities
<hr/>		
ASSETS		
Cash and Cash Equivalents (Note 1.D)	\$	1,185,131
Investments (Note 1.D)		6,371,231
TOTAL ASSETS		<u><u>7,556,362</u></u>
NET POSITION		
Restricted for:		
Visitor Promotion	\$	26,721
911 Emergency Services		199,781
Drug Education		7,092
Law Enforcement		966
Preservation of Records		8,316
Debt Service		89,369
Building Project		711,293
Road/Bridge Projects		183,617
Child Support Enforcement		21,991
Aid and Assistance		20,209
Unrestricted		6,287,007
TOTAL NET POSITION	\$	<u><u>7,556,362</u></u>

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, 2017

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (2,039,899)	\$ 436,278	\$ 52,555	\$ (1,551,066)
Public Safety	(2,203,691)	33,479	20,570	(2,149,642)
Public Works	(3,238,247)	-	1,665,739	(1,572,508)
Public Assistance	(312,110)	68,209	58,290	(185,611)
Culture and Recreation	(8,636)	-	3,656	(4,980)
Debt Payments	(28,506)	-	-	(28,506)
Capital Outlay	(1,215,307)	-	-	(1,215,307)
Total Governmental Activities	<u><u>\$ (9,046,396)</u></u>	<u><u>\$ 537,966</u></u>	<u><u>\$ 1,800,810</u></u>	<u><u>(6,707,620)</u></u>

General Receipts:

Property Taxes	4,251,323
Grants and Contributions Not Restricted to Specific Programs	1,564,655
Investment Income	32,683
Licenses and Permits	30,223
Bond Proceeds	1,926,600
Miscellaneous	84,051
Total General Receipts	<u><u>7,889,535</u></u>
Increase in Net Position	1,181,915
Net Position - Beginning of year	6,374,447
Net Position - End of year	<u><u>\$ 7,556,362</u></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, 2017

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Special Road Fund</u>	<u>Ag. Society Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and Cash Equivalents (Note 1.D)	\$ 380,183	\$ -	\$ -	\$ -	\$ -	\$ 804,948	\$ 1,185,131
Investments (Note 1.D)	731,784	774,212	3,151,694	848,300	800,662	64,579	6,371,231
TOTAL ASSETS	<u>\$ 1,111,967</u>	<u>\$ 774,212</u>	<u>\$ 3,151,694</u>	<u>\$ 848,300</u>	<u>\$ 800,662</u>	<u>\$ 869,527</u>	<u>\$ 7,556,362</u>
FUND BALANCES							
Restricted for:							
Visitor Promotion	-	-	-	-	-	26,721	26,721
911 Emergency Services	-	-	-	-	-	199,781	199,781
Drug Education	-	-	-	-	-	7,092	7,092
Law Enforcement	-	-	-	-	-	966	966
Preservation of Records	-	-	-	-	-	8,316	8,316
Debt Service	-	-	-	-	89,369	-	89,369
Building Project	-	-	-	-	711,293	-	711,293
Road/Bridge Projects	-	-	-	-	-	183,617	183,617
Child Support Enforcement	-	-	-	-	-	21,991	21,991
Aid and Assistance	-	-	-	-	-	20,209	20,209
Committed to:							
Law Enforcement	-	-	-	-	-	11,472	11,472
Road Maintenance	-	774,212	-	848,300	-	-	1,622,512
Aid and Assistance	-	-	-	-	-	315,362	315,362
Equipment	-	-	-	-	-	74,000	74,000
Assigned to:							
Other Purposes	-	-	3,151,694	-	-	-	3,151,694
Unassigned	1,111,967	-	-	-	-	-	1,111,967
TOTAL CASH BASIS FUND BALANCES	<u>\$ 1,111,967</u>	<u>\$ 774,212</u>	<u>\$ 3,151,694</u>	<u>\$ 848,300</u>	<u>\$ 800,662</u>	<u>\$ 869,527</u>	<u>\$ 7,556,362</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, 2017

	General Fund	Road Fund	Inheritance Fund	Special Road Fund	Ag. Society Building Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS							
Property Taxes	\$ 3,498,889	\$ -	\$ 551,233	\$ -	\$ 103,621	\$ 97,580	\$ 4,251,323
Licenses and Permits	30,023	200	-	-	-	-	30,223
Investment Income	32,717	-	-	-	-	(34)	32,683
Intergovernmental	895,963	2,158,656	-	3,548	14,254	293,044	3,365,465
Charges for Services	459,466	-	-	-	-	78,500	537,966
Miscellaneous	12,262	57,347	-	-	1,926,600	14,442	2,010,651
TOTAL RECEIPTS	<u>4,929,320</u>	<u>2,216,203</u>	<u>551,233</u>	<u>3,548</u>	<u>2,044,475</u>	<u>483,532</u>	<u>10,228,311</u>
DISBURSEMENTS							
General Government	1,951,494	-	80,377	-	-	8,028	2,039,899
Public Safety	1,874,163	-	-	-	-	329,528	2,203,691
Public Works	85,449	2,607,990	-	492,439	-	52,369	3,238,247
Public Assistance	41,932	-	-	-	-	270,178	312,110
Culture and Recreation	-	-	-	-	-	8,636	8,636
Debt Service:							
Principal Payments	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	28,506	-	28,506
Capital Outlay	-	-	-	-	1,215,307	-	1,215,307
TOTAL DISBURSEMENTS	<u>3,953,038</u>	<u>2,607,990</u>	<u>80,377</u>	<u>492,439</u>	<u>1,243,813</u>	<u>668,739</u>	<u>9,046,396</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>976,282</u>	<u>(391,787)</u>	<u>470,856</u>	<u>(488,891)</u>	<u>800,662</u>	<u>(185,207)</u>	<u>1,181,915</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	250,000	806,316	-	460,000	-	372,988	1,889,304
Transfers out	(1,140,303)	(460,000)	(250,000)	-	-	(39,001)	(1,889,304)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(890,303)</u>	<u>346,316</u>	<u>(250,000)</u>	<u>460,000</u>	<u>-</u>	<u>333,987</u>	<u>-</u>
Net Change in Fund Balances	85,979	(45,471)	220,856	(28,891)	800,662	148,780	1,181,915
CASH BASIS FUND BALANCES - BEGINNING	<u>1,025,988</u>	<u>819,683</u>	<u>2,930,838</u>	<u>877,191</u>	<u>-</u>	<u>720,747</u>	<u>6,374,447</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 1,111,967</u>	<u>\$ 774,212</u>	<u>\$ 3,151,694</u>	<u>\$ 848,300</u>	<u>\$ 800,662</u>	<u>\$ 869,527</u>	<u>\$ 7,556,362</u>

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

BUTLER COUNTY
STATEMENT OF CASH BASIS NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 561,671
 LIABILITIES	
Due to other governments	
State	213,746
Schools	185,977
Educational Service Units	2,325
Technical College	14,203
Natural Resource Districts	4,820
Fire Districts	4,899
Municipalities	26,704
Agricultural Society	1,482
Townships	10,958
Sanitary and Improvement Districts	28,828
Others	67,729
TOTAL LIABILITIES	561,671
 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, 2017

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 activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$49,582 toward the operation of the Region during fiscal year 2017. 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.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Health Department – The County has entered into an agreement with the 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. 2016, Supp. 2017).

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 2017. 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 audited in accordance with Neb. Rev. Stat. § 84-304(4) (Supp. 2017). 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. 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 the following: 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 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

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 for, and costs associated with, specific road projects.

Ag. Society Building Fund. This fund is used to account for costs associated with acquiring, constructing, and furnishing a multi-purpose building on the Butler County Fairgrounds. It is primarily funded by a bond issuance. This fund also accounts for the resources for, and the payment of, general long-term debt principal, interest, and related costs.

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.

The County designates fund balances as follows:

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.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 \$1,269,355 of restricted net position, which is fully 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 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.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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 \$1,185,131 for County funds and \$561,671 for Fiduciary funds. The bank balances for all funds totaled \$1,701,226. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2017, 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. Investments consisted of \$10,347 in Cole Real Estate Investments, \$54,232 in Butler County Area Foundation Fund, and \$6,306,652 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 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 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.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Property Taxes (Concluded)

The levy set in October 2016, for the 2016 taxes, which will be materially collected in May and September 2017, was set at \$.144605/\$100 of assessed valuation. The levy set in October 2015, for the 2015 taxes, which were materially collected in May and September 2016, was set at \$.161907/\$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, Cum. Supp. 2016, Supp. 2017) 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 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. Non-vested County contributions are forfeited upon termination. Forfeitures are used to cover a portion of the pension plan's administrative expenses. Prior service benefits are paid directly by the County to the retired employee. The Plan's financial statements, including pension costs and obligations, are audited annually and can be obtained from the State of Nebraska Public Employees Retirement System.

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.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

For the year ended June 30, 2017, 101 employees contributed \$144,589, and the County contributed \$214,520. Contributions included \$4,727 in cash contributions towards the supplemental law enforcement plan for 13 law enforcement employees. Lastly, the County paid \$1,248 directly to 18 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 89 counties and local governments 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 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.

	<u>NIRMA Coverage</u>	<u>Maximum Coverage</u>
General Liability Claim	\$ 300,000	\$ 5,000,000
Workers' Compensation Claim	\$ 550,000	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 2018. 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, 2017, consisted of the following:

Transfers to	Transfers from				Total
	General Fund	Inheritance Fund	Road Fund	Nonmajor Funds	
Road Fund	\$ 806,316	\$ -	\$ -	\$ -	\$ 806,316
Special Road Fund	-	-	460,000	-	460,000
General Fund	-	250,000	-	-	250,000
Nonmajor Funds	333,987	-	-	39,001	372,988
Total	\$ 1,140,303	\$ 250,000	\$ 460,000	\$ 39,001	\$ 1,889,304

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, 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

Hospital Bond

In May 2012, the County issued General Obligation bonds in the original amount of \$8,000,000 for the purpose of paying the costs related to the construction of additions and improvements to the existing hospital facility. In January 2013, the County issued General Obligation Refunding Bonds in the amount of \$2,580,000 for the purpose of redeeming Series 2009 bonds. The bond payable balance, as of June 30, 2017, was \$7,250,000. 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; however, it is the intent of the Hospital and 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.

Agricultural Project Bond

The County issued bonds on August 17, 2016, in the amount of \$1,950,00 for the purpose of paying the costs of acquiring, constructing, furnishing, and equipping a multi-purpose facility on the Butler County Fairgrounds. The bond payable balance, as of June 30, 2017, was \$1,950,000. 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.

BUTLER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

8. Long-Term Debt (Concluded)

Future Payments:

Year	Principal	Interest	Total
2018	\$ 120,000	\$ 33,957	\$ 153,957
2019	120,000	32,938	152,938
2020	120,000	31,797	151,797
2021	120,000	30,508	150,508
2022	120,000	29,037	149,037
2023-2027	640,000	115,699	755,699
2028-2032	710,000	45,848	755,848
Total Payments	<u>\$ 1,950,000</u>	<u>\$ 319,784</u>	<u>\$ 2,269,784</u>

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 3,553,936	\$ 3,553,936	\$ 3,498,889	\$ (55,047)
Licenses and Permits	23,300	23,300	30,023	6,723
Interest	7,500	7,500	32,717	25,217
Intergovernmental	271,745	271,745	895,963	624,218
Charges for Services	805,855	805,855	459,466	(346,389)
Miscellaneous	-	-	12,262	12,262
TOTAL RECEIPTS	4,662,336	4,662,336	4,929,320	266,984
DISBURSEMENTS				
General Government:				
County Board	260,028	260,028	250,109	9,919
County Clerk	174,012	174,012	171,853	2,159
County Treasurer	163,164	163,164	163,109	55
County Assessor	210,642	210,642	208,943	1,699
Election Commissioner	62,424	62,424	51,507	10,917
Clerk of the District Court	197,349	197,349	172,631	24,718
County Court System	11,410	11,410	10,618	792
Public Defender	128,140	128,140	110,414	17,726
Building and Grounds	242,441	242,441	209,095	33,346
Reappraisal	51,037	51,037	50,323	714
Agricultural Extension Agent	99,871	99,871	90,714	9,157
Data Processing	57,000	57,000	35,403	21,597
Miscellaneous	587,453	587,453	426,775	160,678
Public Safety				
County Sheriff	986,566	986,566	872,717	113,849
County Attorney	250,082	250,082	229,419	20,663
Diversion Program	14,500	14,500	14,500	-
County Jail	744,935	744,935	707,386	37,549
Emergency Management	49,060	49,060	34,518	14,542
Law Enforcement Grant	17,500	17,500	8,066	9,434
Floodplain Administrator	10,000	10,000	7,557	2,443
Public Works				
County Surveyor	22,388	22,388	22,126	262
Noxious Weed Control	71,762	71,762	63,323	8,439
Public Assistance				
Veterans' Service Officer	42,660	42,660	41,432	1,228
Victims Assistance	2,750	2,750	500	2,250
TOTAL DISBURSEMENTS	4,457,174	4,457,174	3,953,038	504,136

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	205,162	205,162	976,282	771,120
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000	250,000	250,000	-
Transfers out	(1,131,150)	(1,131,150)	(1,140,303)	(9,153)
TOTAL OTHER FINANCING SOURCES (USES)	(881,150)	(881,150)	(890,303)	(9,153)
Net Change in Fund Balance	(675,988)	(675,988)	85,979	761,967
FUND BALANCE - BEGINNING	1,025,988	1,025,988	1,025,988	-
FUND BALANCE - ENDING	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 1,111,967</u>	<u>\$ 761,967</u>

(Concluded)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Licenses and Permits	\$ -	\$ -	\$ 200	\$ 200
Intergovernmental	2,162,046	2,162,046	2,158,656	(3,390)
Miscellaneous	-	-	57,347	57,347
TOTAL RECEIPTS	<u>2,162,046</u>	<u>2,162,046</u>	<u>2,216,203</u>	<u>54,157</u>
DISBURSEMENTS	<u>3,338,045</u>	<u>3,338,045</u>	<u>2,607,990</u>	<u>730,055</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,175,999)</u>	<u>(1,175,999)</u>	<u>(391,787)</u>	<u>784,212</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	806,316	806,316	806,316	-
Transfers out	(200,000)	(200,000)	(460,000)	(260,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>606,316</u>	<u>606,316</u>	<u>346,316</u>	<u>(260,000)</u>
Net Change in Fund Balance	(569,683)	(569,683)	(45,471)	524,212
FUND BALANCE - BEGINNING	<u>819,683</u>	<u>819,683</u>	<u>819,683</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 774,212</u>	<u>\$ 524,212</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 205,000	\$ 205,000	\$ 551,233	\$ 346,233
TOTAL RECEIPTS	<u>205,000</u>	<u>205,000</u>	<u>551,233</u>	<u>346,233</u>
DISBURSEMENTS	<u>2,885,838</u>	<u>2,885,838</u>	<u>80,377</u>	<u>2,805,461</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(2,680,838)</u>	<u>(2,680,838)</u>	<u>470,856</u>	<u>3,151,694</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(250,000)	(250,000)	(250,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Net Change in Fund Balance	(2,930,838)	(2,930,838)	220,856	3,151,694
FUND BALANCE - BEGINNING	<u>2,930,838</u>	<u>2,930,838</u>	<u>2,930,838</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,151,694</u>	<u>\$ 3,151,694</u>

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>SPECIAL ROAD FUND</u>				
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ 3,548	\$ 3,548
TOTAL RECEIPTS	-	-	3,548	3,548
DISBURSEMENTS	1,077,191	1,077,191	492,439	584,752
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,077,191)	(1,077,191)	(488,891)	588,300
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	460,000	260,000
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	200,000	200,000	460,000	260,000
Net Change in Fund Balance	(877,191)	(877,191)	(28,891)	848,300
FUND BALANCE - BEGINNING	877,191	877,191	877,191	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 848,300	\$ 848,300
<u>AG. SOCIETY BUILDING FUND</u>				
RECEIPTS				
Taxes	\$ 167,725	\$ 167,725	\$ 103,621	\$ (64,104)
Intergovernmental	-	-	14,254	14,254
Miscellaneous	1,926,600	1,926,600	1,926,600	-
TOTAL RECEIPTS	2,094,325	2,094,325	2,044,475	(49,850)
DISBURSEMENTS	2,094,325	2,094,325	1,243,813	850,512
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	-	-	800,662	800,662
Net Change in Fund Balance	-	-	800,662	800,662
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 800,662	\$ 800,662

(Concluded)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HIGHWAY BRIDGE BUYBACK FUND				
Receipts	\$ 161,947	\$ 161,947	\$ 161,947	\$ -
Disbursements	(235,986)	(235,986)	(52,369)	183,617
Net Change in Fund Balance	(74,039)	(74,039)	109,578	183,617
Fund Balance - Beginning	74,039	74,039	74,039	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,617</u>	<u>\$ 183,617</u>
COMMUNICATION EQUIPMENT SINKING FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(20,000)	(20,000)	-	20,000
Transfers in	20,000	20,000	30,000	10,000
Transfers out	-	-	-	-
Net Change in Fund Balance	-	-	30,000	30,000
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>
EQUIPMENT SINKING FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(29,000)	(29,000)	-	29,000
Transfers in	4,000	4,000	19,000	15,000
Transfers out	-	-	-	-
Net Change in Fund Balance	(25,000)	(25,000)	19,000	44,000
Fund Balance - Beginning	25,000	25,000	25,000	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,000</u>	<u>\$ 44,000</u>
CHILD SUPPORT INCENTIVE FUND				
Receipts	\$ 6,878	\$ 6,878	\$ 7,133	\$ 255
Disbursements	(32,044)	(32,044)	(10,308)	21,736
Net Change in Fund Balance	(25,166)	(25,166)	(3,175)	21,991
Fund Balance - Beginning	25,166	25,166	25,166	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,991</u>	<u>\$ 21,991</u>
VISITOR'S PROMOTION FUND				
Receipts	\$ -	\$ -	\$ 3,160	\$ 3,160
Disbursements	(15,009)	(15,009)	(3,400)	11,609
Net Change in Fund Balance	(15,009)	(15,009)	(240)	14,769
Fund Balance - Beginning	15,009	15,009	15,009	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,769</u>	<u>\$ 14,769</u>

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
VISITOR'S IMPROVEMENT FUND				
Receipts	\$ -	\$ -	\$ 3,160	\$ 3,160
Disbursements	(14,028)	(14,028)	(5,236)	8,792
Net Change in Fund Balance	(14,028)	(14,028)	(2,076)	11,952
Fund Balance - Beginning	14,028	14,028	14,028	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,952</u>	<u>\$ 11,952</u>
REGISTER OF DEEDS PRESERVATION FUND				
Receipts	\$ 5,000	\$ 5,000	\$ 6,741	\$ 1,741
Disbursements	(14,603)	(14,603)	(8,028)	6,575
Net Change in Fund Balance	(9,603)	(9,603)	(1,287)	8,316
Fund Balance - Beginning	9,603	9,603	9,603	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,316</u>	<u>\$ 8,316</u>
RELIEF MEDICAL FUND				
Receipts	\$ -	\$ -	\$ 5,728	\$ 5,728
Disbursements	(38,984)	(38,984)	(6,339)	32,645
Net Change in Fund Balance	(38,984)	(38,984)	(611)	38,373
Fund Balance - Beginning	38,984	38,984	38,984	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,373</u>	<u>\$ 38,373</u>
INSTITUTION FUND				
Receipts	\$ -	\$ -	\$ 4,049	\$ 4,049
Disbursements	(34,560)	(34,560)	(8,277)	26,283
Net Change in Fund Balance	(34,560)	(34,560)	(4,228)	30,332
Fund Balance - Beginning	34,560	34,560	34,560	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,332</u>	<u>\$ 30,332</u>
VETERAN'S AID FUND				
Receipts	\$ -	\$ -	\$ 204	\$ 204
Disbursements	(32,999)	(32,999)	-	32,999
Net Change in Fund Balance	(32,999)	(32,999)	204	33,203
Fund Balance - Beginning	32,999	32,999	32,999	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,203</u>	<u>\$ 33,203</u>

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RURAL TRANSIT SERVICE FUND				
Receipts	\$ 52,840	\$ 52,840	\$ 65,359	\$ 12,519
Disbursements	(76,965)	(76,965)	(63,428)	13,537
Transfers in	12,312	12,312	6,465	(5,847)
Transfers out	-	-	-	-
Net Change in Fund Balance	(11,813)	(11,813)	8,396	20,209
Fund Balance - Beginning	11,813	11,813	11,813	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,209</u>	<u>\$ 20,209</u>
SENIOR SERVICES PROGRAM FUND				
Receipts	\$ 122,075	\$ 122,075	\$ 128,826	\$ 6,751
Disbursements	(193,786)	(193,786)	(162,059)	31,727
Transfers in	28,416	28,416	28,416	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(43,295)	(43,295)	(4,817)	38,478
Fund Balance - Beginning	73,295	73,295	73,295	-
Fund Balance - Ending	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 68,478</u>	<u>\$ 38,478</u>
SENIOR SERVICES SAVINGS FUND				
Receipts	\$ -	\$ -	\$ 5,078	\$ 5,078
Disbursements	(169,973)	(169,973)	(30,075)	139,898
Net Change in Fund Balance	(169,973)	(169,973)	(24,997)	144,976
Fund Balance - Beginning	169,973	169,973	169,973	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,976</u>	<u>\$ 144,976</u>
STOP PROGRAM FUND				
Receipts	\$ 2,400	\$ 2,400	\$ 3,550	\$ 1,150
Disbursements	(9,190)	(9,190)	(2,352)	6,838
Net Change in Fund Balance	(6,790)	(6,790)	1,198	7,988
Fund Balance - Beginning	6,790	6,790	6,790	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,988</u>	<u>\$ 7,988</u>
DRUG LAW ENFORCEMENT AND EDUCATION FUND				
Receipts	\$ 6,538	\$ 6,538	\$ 6,630	\$ 92
Disbursements	(7,000)	(7,000)	-	7,000
Net Change in Fund Balance	(462)	(462)	6,630	7,092
Fund Balance - Beginning	462	462	462	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,092</u>	<u>\$ 7,092</u>

(Continued)

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
FEDERAL DRUG LAW ENFORCEMENT FUND				
Receipts	\$ 24,034	\$ 24,034	\$ -	\$ (24,034)
Disbursements	(25,000)	(25,000)	-	25,000
Net Change in Fund Balance	(966)	(966)	-	966
Fund Balance - Beginning	966	966	966	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 966</u>	<u>\$ 966</u>
CANINE (K-9) FUND				
Receipts	\$ -	\$ -	\$ 300	\$ 300
Disbursements	(3,388)	(3,388)	(204)	3,184
Net Change in Fund Balance	(3,388)	(3,388)	96	3,484
Fund Balance - Beginning	3,388	3,388	3,388	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,484</u>	<u>\$ 3,484</u>
911 WIRELESS SERVICE FUND				
Receipts	\$ 49,000	\$ 49,000	\$ 49,122	\$ 122
Disbursements	(58,001)	(58,001)	(39,587)	18,414
Transfers in	-	-	-	-
Transfers out	-	-	(9,001)	(9,001)
Net Change in Fund Balance	(9,001)	(9,001)	534	9,535
Fund Balance - Beginning	9,001	9,001	9,001	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,535</u>	<u>\$ 9,535</u>
911 WIRELESS SERVICE HOLDING FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(109,377)	(109,377)	-	109,377
Transfers in	-	-	7,850	7,850
Transfers out	-	-	-	-
Net Change in Fund Balance	(109,377)	(109,377)	7,850	117,227
Fund Balance - Beginning	109,377	109,377	109,377	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,227</u>	<u>\$ 117,227</u>
911 EMERGENCY SERVICES FUND				
Receipts	\$ 25,000	\$ 25,000	\$ 32,545	\$ 7,545
Disbursements	(351,400)	(351,400)	(277,077)	74,323
Transfers in	280,106	280,106	281,257	1,151
Transfers out	(20,000)	(20,000)	(30,000)	(10,000)
Net Change in Fund Balance	(66,294)	(66,294)	6,725	73,019
Fund Balance - Beginning	66,294	66,294	66,294	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,019</u>	<u>\$ 73,019</u>

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

For the Year Ended June 30, 2017

	Highway Bridge Buyback Fund	Communication Equipment Sinking Fund	Equipment Sinking Fund	Child Support Incentive Fund	Visitor's Promotion Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,160
Investment Income	-	-	-	-	-
Intergovernmental	161,947	-	-	7,133	-
Charges for Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
TOTAL RECEIPTS	<u>161,947</u>	<u>-</u>	<u>-</u>	<u>7,133</u>	<u>3,160</u>
DISBURSEMENTS					
General Government	-	-	-	-	-
Public Safety	-	-	-	10,308	-
Public Works	52,369	-	-	-	-
Public Assistance	-	-	-	-	-
Culture and Recreation	-	-	-	-	3,400
TOTAL DISBURSEMENTS	<u>52,369</u>	<u>-</u>	<u>-</u>	<u>10,308</u>	<u>3,400</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>109,578</u>	<u>-</u>	<u>-</u>	<u>(3,175)</u>	<u>(240)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	30,000	19,000	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>30,000</u>	<u>19,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	109,578	30,000	19,000	(3,175)	(240)
FUND BALANCES - BEGINNING	<u>74,039</u>	<u>-</u>	<u>25,000</u>	<u>25,166</u>	<u>15,009</u>
FUND BALANCES - ENDING	<u>\$ 183,617</u>	<u>\$ 30,000</u>	<u>\$ 44,000</u>	<u>\$ 21,991</u>	<u>\$ 14,769</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	14,769
911 Emergency Services	-	-	-	-	-
Drug Education	-	-	-	-	-
Law Enforcement	-	-	-	-	-
Preservation of Records	-	-	-	-	-
Road/Bridge Projects	183,617	-	-	-	-
Child Support Enforcement	-	-	-	21,991	-
Aid and Assistance	-	-	-	-	-
Committed to:					
Law Enforcement	-	-	-	-	-
Aid and Assistance	-	-	-	-	-
Equipment	-	30,000	44,000	-	-
TOTAL FUND BALANCES	<u>\$ 183,617</u>	<u>\$ 30,000</u>	<u>\$ 44,000</u>	<u>\$ 21,991</u>	<u>\$ 14,769</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, 2017

	Visitor's Improvement Fund	Register of Deeds Preservation Fund	Relief Medical Fund	Institution Fund	Veteran's Aid Fund	Rural Transit Service Fund
RECEIPTS						
Property Taxes	\$ 3,160	\$ -	\$ 5,586	\$ 4,003	\$ 4	\$ -
Investment Income	-	-	-	-	-	-
Intergovernmental	-	-	67	46	-	49,950
Charges for Services	-	6,741	-	-	-	15,409
Miscellaneous	-	-	75	-	200	-
TOTAL RECEIPTS	<u>3,160</u>	<u>6,741</u>	<u>5,728</u>	<u>4,049</u>	<u>204</u>	<u>65,359</u>
DISBURSEMENTS						
General Government	-	8,028	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Public Assistance	-	-	6,339	8,277	-	63,428
Culture and Recreation	5,236	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>5,236</u>	<u>8,028</u>	<u>6,339</u>	<u>8,277</u>	<u>-</u>	<u>63,428</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(2,076)</u>	<u>(1,287)</u>	<u>(611)</u>	<u>(4,228)</u>	<u>204</u>	<u>1,931</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	6,465
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,465</u>
Net Change in Fund Balances	(2,076)	(1,287)	(611)	(4,228)	204	8,396
FUND BALANCES - BEGINNING	<u>14,028</u>	<u>9,603</u>	<u>38,984</u>	<u>34,560</u>	<u>32,999</u>	<u>11,813</u>
FUND BALANCES - ENDING	<u>\$ 11,952</u>	<u>\$ 8,316</u>	<u>\$ 38,373</u>	<u>\$ 30,332</u>	<u>\$ 33,203</u>	<u>\$ 20,209</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	11,952	-	-	-	-	-
911 Emergency Services	-	-	-	-	-	-
Drug Education	-	-	-	-	-	-
Law Enforcement	-	-	-	-	-	-
Preservation of Records	-	8,316	-	-	-	-
Road/Bridge Projects	-	-	-	-	-	-
Child Support Enforcement	-	-	-	-	-	-
Aid and Assistance	-	-	-	-	-	20,209
Committed to:						
Law Enforcement	-	-	-	-	-	-
Aid and Assistance	-	-	38,373	30,332	33,203	-
Equipment	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 11,952</u>	<u>\$ 8,316</u>	<u>\$ 38,373</u>	<u>\$ 30,332</u>	<u>\$ 33,203</u>	<u>\$ 20,209</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, 2017

	Senior Services Program Fund	Senior Services Savings Fund	STOP Program Fund	Drug Law Enforcement and Education Fund	Federal Drug Law Enforcement Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	15	(49)	-	-	-
Intergovernmental	73,901	-	-	-	-
Charges for Services	52,800	-	3,550	-	-
Miscellaneous	2,110	5,127	-	6,630	-
TOTAL RECEIPTS	<u>128,826</u>	<u>5,078</u>	<u>3,550</u>	<u>6,630</u>	<u>-</u>
DISBURSEMENTS					
General Government	-	-	-	-	-
Public Safety	-	-	2,352	-	-
Public Works	-	-	-	-	-
Public Assistance	162,059	30,075	-	-	-
Culture and Recreation	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>162,059</u>	<u>30,075</u>	<u>2,352</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(33,233)</u>	<u>(24,997)</u>	<u>1,198</u>	<u>6,630</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	28,416	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>28,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(4,817)	(24,997)	1,198	6,630	-
FUND BALANCES - BEGINNING	<u>73,295</u>	<u>169,973</u>	<u>6,790</u>	<u>462</u>	<u>966</u>
FUND BALANCES - ENDING	<u>\$ 68,478</u>	<u>\$ 144,976</u>	<u>\$ 7,988</u>	<u>\$ 7,092</u>	<u>\$ 966</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	-
911 Emergency Services	-	-	-	-	-
Drug Education	-	-	-	7,092	-
Law Enforcement	-	-	-	-	966
Preservation of Records	-	-	-	-	-
Road/Bridge Projects	-	-	-	-	-
Child Support Enforcement	-	-	-	-	-
Aid and Assistance	-	-	-	-	-
Committed to:					
Law Enforcement	-	-	7,988	-	-
Aid and Assistance	68,478	144,976	-	-	-
Equipment	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 68,478</u>	<u>\$ 144,976</u>	<u>\$ 7,988</u>	<u>\$ 7,092</u>	<u>\$ 966</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, 2017

	Canine (K-9) Fund	911 Wireless Service Fund	911 Wireless Service Holding Fund	911 Emergency Services Fund	Total Nonmajor Governmental Funds
RECEIPTS					
Property Taxes	\$ -	\$ 49,122	\$ -	\$ 32,545	\$ 97,580
Investment Income	-	-	-	-	(34)
Intergovernmental	-	-	-	-	293,044
Charges for Services	-	-	-	-	78,500
Miscellaneous	300	-	-	-	14,442
TOTAL RECEIPTS	<u>300</u>	<u>49,122</u>	<u>-</u>	<u>32,545</u>	<u>483,532</u>
DISBURSEMENTS					
General Government	-	-	-	-	8,028
Public Safety	204	39,587	-	277,077	329,528
Public Works	-	-	-	-	52,369
Public Assistance	-	-	-	-	270,178
Culture and Recreation	-	-	-	-	8,636
TOTAL DISBURSEMENTS	<u>204</u>	<u>39,587</u>	<u>-</u>	<u>277,077</u>	<u>668,739</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>96</u>	<u>9,535</u>	<u>-</u>	<u>(244,532)</u>	<u>(185,207)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	7,850	281,257	372,988
Transfers out	-	(9,001)	-	(30,000)	(39,001)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(9,001)</u>	<u>7,850</u>	<u>251,257</u>	<u>333,987</u>
Net Change in Fund Balances	96	534	7,850	6,725	148,780
FUND BALANCES - BEGINNING	<u>3,388</u>	<u>9,001</u>	<u>109,377</u>	<u>66,294</u>	<u>720,747</u>
FUND BALANCES - ENDING	<u>\$ 3,484</u>	<u>\$ 9,535</u>	<u>\$ 117,227</u>	<u>\$ 73,019</u>	<u>\$ 869,527</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	26,721
911 Emergency Services	-	9,535	117,227	73,019	199,781
Drug Education	-	-	-	-	7,092
Law Enforcement	-	-	-	-	966
Preservation of Records	-	-	-	-	8,316
Road/Bridge Projects	-	-	-	-	183,617
Child Support Enforcement	-	-	-	-	21,991
Aid and Assistance	-	-	-	-	20,209
Committed to:					
Law Enforcement	3,484	-	-	-	11,472
Aid and Assistance	-	-	-	-	315,362
Equipment	-	-	-	-	74,000
TOTAL FUND BALANCES	<u>\$ 3,484</u>	<u>\$ 9,535</u>	<u>\$ 117,227</u>	<u>\$ 73,019</u>	<u>\$ 869,527</u>

(Concluded)

BUTLER COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2017

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	Veterans' Service Officer	County Senior Services	County Detention Center	Total
BALANCES JULY 1, 2016	\$ 8,391	\$ 40,169	\$ 12,778	\$ 500	\$ 55,745	\$ 6,198	\$ 1,149	\$ 24,434	\$ 149,364
RECEIPTS									
Licenses and Permits	830	-	1,160	-	200	-	-	-	2,190
Intergovernmental	-	-	301,091	-	685,469	-	-	-	986,560
Charges for Services	92,391	8,249	21,681	-	58,782	-	75,347	227,035	483,485
Miscellaneous	-	-	150	1	8,110	11	3,279	-	11,551
State Fees	80,042	16,411	-	-	-	-	-	110	96,563
Other Liabilities	-	342,587	15,862	1,337	-	-	-	209,211	568,997
TOTAL RECEIPTS	173,263	367,247	339,944	1,338	752,561	11	78,626	436,356	2,149,346
DISBURSEMENTS									
Payments to County Treasurer	92,931	7,993	322,249	-	719,491	-	75,461	222,993	1,441,118
Payments to State Treasurer	77,690	16,347	-	-	-	-	-	141	94,178
Other Liabilities	16	356,422	14,890	1,338	-	1,785	3,279	209,222	586,952
TOTAL DISBURSEMENTS	170,637	380,762	337,139	1,338	719,491	1,785	78,740	432,356	2,122,248
BALANCES JUNE 30, 2017	<u>\$ 11,017</u>	<u>\$ 26,654</u>	<u>\$ 15,583</u>	<u>\$ 500</u>	<u>\$ 88,815</u>	<u>\$ 4,424</u>	<u>\$ 1,035</u>	<u>\$ 28,434</u>	<u>\$ 176,462</u>
BALANCES CONSIST OF:									
Due to County Treasurer	\$ 5,877	\$ 508	\$ 7,663	\$ -	\$ 88,815	\$ 4,424	\$ 535	\$ 7,266	\$ 115,088
Petty Cash	-	-	3,535	500	-	-	500	3,500	8,035
Due to State Treasurer	5,140	1,353	-	-	-	-	-	45	6,538
Due to Others	-	24,793	4,385	-	-	-	-	17,623	46,801
BALANCES JUNE 30, 2017	<u>\$ 11,017</u>	<u>\$ 26,654</u>	<u>\$ 15,583</u>	<u>\$ 500</u>	<u>\$ 88,815</u>	<u>\$ 4,424</u>	<u>\$ 1,035</u>	<u>\$ 28,434</u>	<u>\$ 176,462</u>

BUTLER COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2017

Item	2012	2013	2014	2015	2016
Tax Certified by Assessor					
Real Estate	\$ 20,676,238	\$ 22,415,146	\$ 22,563,682	\$ 23,992,690	\$ 24,498,864
Personal and Specials	2,780,915	2,753,915	2,524,445	2,645,920	2,645,919
Total	23,457,153	25,169,061	25,088,127	26,638,610	27,144,783
Corrections					
Additions	2,760	2,363	1,529	3,562	3,237
Deductions	(13,963)	(8,713)	(4,229)	(2,317)	(418)
Net Additions/ (Deductions)	(11,203)	(6,350)	(2,700)	1,245	2,819
Corrected Certified Tax	23,445,950	25,162,711	25,085,427	26,639,855	27,147,602
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2013	14,805,410	-	-	-	-
June 30, 2014	8,618,828	16,288,243	-	-	-
June 30, 2015	13,104	8,862,794	16,421,742	-	-
June 30, 2016	1,822	7,522	8,648,374	17,501,780	-
June 30, 2017	1,960	2,170	7,155	9,130,454	17,594,421
Total Net Collections	23,441,124	25,160,729	25,077,271	26,632,234	17,594,421
Total Uncollected Tax	\$ 4,826	\$ 1,982	\$ 8,156	\$ 7,621	\$ 9,553,181
Percentage Uncollected Tax	0.02%	0.01%	0.03%	0.03%	35.19%

Note: Tax refunds are netted against tax collections to determine Net Tax Collected.



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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, 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, 2017, and the related notes to the financial statements, which collectively comprise Butler County's basic financial statements, and have issued our report thereon dated March 20, 2018. 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. Inadequate segregation of duties could lead to the misappropriation of assets or improper reporting. 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 the management of Butler County in a separate letter dated March 20, 2018.

Butler County's Response to Findings

Butler County declined to respond to the finding described above.

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.

March 20, 2018



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska



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March 20, 2018

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, 2017, and have issued our report thereon dated March 20, 2018. 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 following areas:

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. A lack of segregation of duties increases the risk of possible errors or irregularities; however, due to a limited number of personnel, an adequate segregation of duties may not be 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

Claims Procedures

During our audit, we noted the following issues regarding the County's claims procedures:

- We tested three credit card payments and noted that sales and lodging taxes, totaling \$121, were paid by the County on two of the payments tested. Due to payments not being made timely, moreover, the County incurred interest charges of \$20 on one of the payments tested. During calendar year 2016, the County incurred a total of \$81 in interest charges.
- We noted four instances, totaling \$13,354, of the County having issued duplicate payments to vendors. Refunds were received for \$13,303 of that amount. The County is researching the remaining \$51 to determine if a refund is still owed.

Neb. Rev. Stat. § 77-2704.15(1)(a) (Cum. Supp. 2016) states, in relevant part, the following:

Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of purchases by the state, including public educational institutions recognized or established under the provisions of Chapter 85, or by any county, township, city, village, rural or suburban fire protection district

Additionally, a good internal control plan and sound business practices require policies and procedures to ensure payments are issued only once, unnecessary interest charges are not incurred, and sales and lodging taxes are avoided. Without such procedures, there is an increased risk for loss or misuse of County funds. Furthermore, the County is not in compliance with State statute when sales and lodging taxes are paid.

We recommend the County Board implement adequate policies and procedures to ensure payments are only issued once, interest on credit card balances is not incurred, and sales and lodging taxes are not paid.

CLERK OF THE DISTRICT COURT

Monthly Report Review

We noted the following regarding the District Court's procedures for reviewing monthly financial reports:

- During testing of five case balances held by the District Court, we noted two, totaling \$375, that were not resolved timely.
- During testing of 10 overdue balances, totaling \$2,924, we noted all 10 balances did not have subsequent action taken to ensure collection and/or resolution of the balances. As of February 23, 2018, overdue balances, excluding restitution judgments, totaled \$42,988.

When the District Court's monthly reports are not reviewed in a timely manner, there is an increased risk of errors, omissions, and/or irregularities, which would not be detected and/or resolved in a timely manner. Additionally, without a regular review of overdue case balances, there is an increased risk overdue balances may either not have proper follow-up action taken or have been previously resolved and should no longer be reflected as being overdue.

We recommend the District Court perform a detailed review of all monthly financial reports, including the Monthly Case Balance Report and Overdue Case Account Report, and perform appropriate follow-up procedures, as necessary, to resolve the balances.

COUNTY SENIOR SERVICES

Office Procedures

We noted the following issues with the County Senior Services' financial record keeping and accounting procedures:

- The office neither performed monthly bank reconciliations nor maintained a book balance for its checking account.
- An unknown long amount of \$401 was being maintained as a balance in the office's checking account and had not been remitted to the County Treasurer.
- The office charges \$75 for the rental of the senior center; however, this fee has not been approved by the County Board. A total of \$1,800 was collected for the rental of the senior center during fiscal year 2017.
- During testing of two petty cash reimbursement claims, we noted sales tax of \$6 was incurred, and adequate supporting documentation for \$35 in expenditures was not attached to the claim. As noted previously, the County is exempt from paying sales tax.
- Petty cash is not reconciled to the authorized amount of \$500, and an unknown short amount of \$4 was noted at June 30, 2017.

Neb. Rev. Stat. § 23-106(1) (Reissue 2012) directs the County Board to "manage the county funds and county business except as otherwise specifically provided."

A good internal control plan requires the office to perform timely bank reconciliations, as well as petty cash reconciliations, and resolve any variances noted in a timely manner. Furthermore, good internal controls require adequate supporting documentation to be attached to petty cash reimbursement claims and fees charged to be approved by the County Board. Without such procedures, there is an increased risk for the loss or misuse of funds.

We recommend County Senior Services implement procedures to maintain a book balance for its checking account and perform timely reconciliations of its bank and petty cash accounts. Additionally, we recommend the \$401 long in the County Senior Services' checking account be remitted to the County Treasurer, and all fees charged by the office that are not set in statute be approved by the County Board. Moreover, we recommend sales tax not be paid, and all petty cash reimbursement claims be supported by adequate documentation.

COUNTY SHERIFF

Office Accountability

During our audit, we noted several issues with the County Sheriff's financial recordkeeping and balancing procedures. As of June 30, 2017, office records indicated that office assets exceeded office liabilities by \$1,444. We also noted the following issues, which are likely contributing to the long amount noted.

- The accounts payable and accounts receivable balances recorded in the accounting system were not complete and accurate.
- Fee collections of \$3,557 received in prior years were not remitted timely to the County Treasurer.
- Seven checks, totaling \$156, were noted as still outstanding in the accounting system; however, they had previously cleared the bank account.
- One check for \$32 was outstanding in the accounting system at June 30, 2017; however, the check was not included in the office's bank reconciliation.
- One check for \$26 was remitted to the State Treasurer as unclaimed property twice, once in August of 2013 and again in August of 2014, but has not been refunded.
- Three checks issued by the Detention Center, totaling \$145, were remitted to the State Treasurer as unclaimed property; however, these checks also cleared the bank account.

Neb. Rev. Stat. § 33-117(3) (Reissue 2016) states, in part, "The sheriff shall . . . pay all fees earned to the county treasurer . . ." Additionally, good internal control procedures require procedures to ensure assets (cash on hand, reconciled bank balance, and accounts receivable) are in agreement with office liabilities (fees, commissions, mileage, and refunds), and any variances identified are resolved in a timely manner.

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 go undetected more easily. Additionally, when fees earned are not remitted to the County Treasurer, there is an increased risk of loss or misuse of funds and noncompliance with State statute.

We recommend the County Sheriff implement balancing procedures to ensure assets agree to liabilities at all times and remit excess amounts to the County Treasurer. We further recommend procedures are implemented to ensure activity and balances recorded in the accounting system are complete and accurate, and prior errors are corrected. Additionally, we recommend that improper payments to the State Treasurer be resolved.

Unclaimed Property

During our audit, we noted the County Sheriff did not report and remit to the State Treasurer as unclaimed property three checks, totaling \$101, that were over three years old.

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009), which is found in the Uniform Disposition of Unclaimed Property Act, presumes intangible personal property held by a county and unclaimed for more than three years to be abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009), directs any property presumed to be abandoned, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 of each year.

When unclaimed property is not properly remitted to the State Treasurer, the County is not in compliance with the Unclaimed Property Act. There is also an increased risk of loss or misuse of funds.

We recommend the County Sheriff work to remit promptly to the State Treasurer all property in its possession that is presumed abandoned, as required by State statute.

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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. 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 it 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, CPA
Assistant Deputy Auditor