

**AUDIT REPORT  
OF  
BANNER COUNTY**

**JULY 1, 2010 THROUGH JUNE 30, 2011**

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the Auditor of Public Accounts.**

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**Issued on December 20, 2011**

BANNER COUNTY

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BANNER COUNTY

**LIST OF COUNTY OFFICIALS**

At June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Gifford	Board of Commissioners	Jan. 2013
John Robert Faden		Jan. 2015
Robert Post		Jan. 2015
Sharon Sandberg	Assessor	Jan. 2015
James Zimmerman	Attorney	Jan. 2015
Lori Hostetler	Clerk Election Commissioner Register of Deeds Clerk of the District Court	Jan. 2015
Stanley McKnight	Sheriff	Jan. 2015
Monty Stoddard	Treasurer	Jan. 2015
John Brehm	Veterans' Service Officer	Appointed
Richard McGowan	Weed Superintendent	Appointed
Robert Tyler	Highway Superintendent	Appointed



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## BANNER COUNTY

### INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Banner County, Nebraska

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2011, on our consideration of Banner County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, nonmajor budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Signed Original on File

December 8, 2011

Deann Haeffner, CPA  
Assistant Deputy Auditor

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

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 1.D)	\$ 709,502
<b>TOTAL ASSETS</b>	<b>\$ 709,502</b>
 <b>NET ASSETS</b>	
Restricted for:	
Law Enforcement	\$ 1,510
Unrestricted	707,992
<b>TOTAL NET ASSETS</b>	<b>\$ 709,502</b>

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

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

<b>Functions:</b>	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
General Government	\$ (520,214)	\$ 60,733	\$ 1,485	\$ (457,996)
Public Safety	(95,842)	5,920	-	(89,922)
Public Works	(1,645,854)	1,309	1,333,092	(311,453)
Health and Sanitation	(4,173)	-	-	(4,173)
Public Assistance	(500)	-	-	(500)
Culture and Recreation	(9,068)	-	-	(9,068)
<b>Total Governmental Activities</b>	<b>\$ (2,275,651)</b>	<b>\$ 67,962</b>	<b>\$ 1,334,577</b>	<b>(873,112)</b>
General Receipts:				
Property Taxes				720,790
Grants and Contributions Not Restricted to Specific Programs				70,478
Investment Income				13,851
Licenses and Permits				3,907
Miscellaneous				21,441
<b>Total General Receipts</b>				<b>830,467</b>
Change in Net Assets				(42,645)
Net Assets - Beginning				752,147
Net Assets - Ending				<b>\$ 709,502</b>

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

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

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Hard Surface Road Fund</u>	<u>Equipment Sinking Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents (Note 1.D)	\$ 22,798	\$ 8,707	\$ 373,150	\$ 203,782	\$ 79,704	\$ 21,361	\$ 709,502
<b>TOTAL ASSETS</b>	<u>\$ 22,798</u>	<u>\$ 8,707</u>	<u>\$ 373,150</u>	<u>\$ 203,782</u>	<u>\$ 79,704</u>	<u>\$ 21,361</u>	<u>\$ 709,502</u>
<b>FUND BALANCES</b>							
Restricted for:							
Law Enforcement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,510	\$ 1,510
Committed to:							
Road Maintenance	-	8,707	-	203,782	79,704	2	292,195
Culture and Recreation	-	-	-	-	-	19,849	19,849
Assigned to:							
Other Purposes	-	-	373,150	-	-	-	373,150
Unassigned	<u>22,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,798</u>
<b>TOTAL CASH BASIS FUND BALANCES</b>	<u>\$ 22,798</u>	<u>\$ 8,707</u>	<u>\$ 373,150</u>	<u>\$ 203,782</u>	<u>\$ 79,704</u>	<u>\$ 21,361</u>	<u>\$ 709,502</u>

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



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

For the Year Ended June 30, 2011

	General Fund	Road Fund	Inheritance Fund	Hard Surface Road Fund	Road Equipment Sinking Fund	Other Governmental Funds	Total Governmental Funds
<b>RECEIPTS</b>							
Property Taxes	\$ 446,386	\$ 231,604	\$ 6,373	\$ 11,469	\$ 11,491	\$ 13,467	\$ 720,790
Licenses and Permits	3,907	-	-	-	-	-	3,907
Interest	13,851	-	-	-	-	-	13,851
Intergovernmental	58,518	1,345,692	-	57	56	732	1,405,055
Charges for Services	63,253	1,309	-	-	-	3,400	67,962
Miscellaneous	2,599	18,842	-	-	-	-	21,441
<b>TOTAL RECEIPTS</b>	<u>588,514</u>	<u>1,597,447</u>	<u>6,373</u>	<u>11,526</u>	<u>11,547</u>	<u>17,599</u>	<u>2,233,006</u>
<b>DISBURSEMENTS</b>							
General Government	520,214	-	-	-	-	-	520,214
Public Safety	91,931	-	-	-	-	3,911	95,842
Public Works	28,700	1,614,254	-	2,900	-	-	1,645,854
Health and Sanitation	4,173	-	-	-	-	-	4,173
Public Assistance	500	-	-	-	-	-	500
Culture and Recreation	-	-	-	-	-	9,068	9,068
<b>TOTAL DISBURSEMENTS</b>	<u>645,518</u>	<u>1,614,254</u>	<u>-</u>	<u>2,900</u>	<u>-</u>	<u>12,979</u>	<u>2,275,651</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(57,004)</u>	<u>(16,807)</u>	<u>6,373</u>	<u>8,626</u>	<u>11,547</u>	<u>4,620</u>	<u>(42,645)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	51,512	55	-	-	-	-	51,567
Transfers out	-	-	(51,000)	-	-	(567)	(51,567)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>51,512</u>	<u>55</u>	<u>(51,000)</u>	<u>-</u>	<u>-</u>	<u>(567)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(5,492)	(16,752)	(44,627)	8,626	11,547	4,053	(42,645)
<b>CASH BASIS FUND BALANCES - BEGINNING</b>	<u>28,290</u>	<u>25,459</u>	<u>417,777</u>	<u>195,156</u>	<u>68,157</u>	<u>17,308</u>	<u>752,147</u>
<b>CASH BASIS FUND BALANCES - ENDING</b>	<u>\$ 22,798</u>	<u>\$ 8,707</u>	<u>\$ 373,150</u>	<u>\$ 203,782</u>	<u>\$ 79,704</u>	<u>\$ 21,361</u>	<u>\$ 709,502</u>

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

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

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 51,303
 <b>LIABILITIES</b>	
Due to other governments	
State	9,750
Schools	26,990
Educational Service Units	342
Technical College	2,152
Natural Resource Districts	1,230
Fire Districts	415
Cemetery Districts	1,933
Clerk of District Court Trust	8,255
Others	236
<b>TOTAL LIABILITIES</b>	<b>51,303</b>
 <b>TOTAL NET ASSETS</b>	 <b>\$ -</b>

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

## BANNER COUNTY

### NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2011

#### 1. Summary of Significant Accounting Policies

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

##### **A. Reporting Entity**

Banner County, Nebraska (County) is a governmental entity established under and governed by the laws of the State of Nebraska (State). The County is managed by county officials who are elected on a political ballot for four-year terms. As a political subdivision of the State, the County is exempt from State and Federal income taxes. The financial statements include all funds of the County that are not legally separate. The County has also considered all potential component units for which it is financially accountable, as well as other organizations which are either fiscally dependent on the County or maintain a significant relationship with the County such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

As required by generally accepted accounting principles (GAAP), these financial statements present the County (the primary government). No component units were identified.

##### **Joint Organization.**

Behavioral Health Region I - 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. The Region I (Region) consists of the following counties: Sioux, Dawes, Box Butte, Sheridan, Scotts Bluff, Morrill, Garden, Banner, Kimball, Cheyenne, and Deuel.

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 \$4,173 toward the operation of the Region during fiscal year 2011. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services requires the Region to be audited annually in accordance with State statute. Financial information for the Region is available in those audit reports.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County did not contribute toward the operation of the Department during fiscal year 2011. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is required to be audited annually in accordance with Neb. Rev. Stat. § 84-304(4) (Reissue 2008). Financial information for the Department is available in that report.

**B. Basis of Presentation**

**Government-wide Financial Statements.** The Statement of Net Assets - Cash Basis and Statement of Activities - Cash Basis display information about the activities of the County and are in the format of government-wide statements, as required by GASB Statement Number 34. These statements include all the financial activities of the County, except for fiduciary activities. 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 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 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

BANNER 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.

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

**Hard Surface Road Fund.** This fund is used to account for revenues and costs for necessary road construction and improvements.

**Road Equipment Sinking Fund.** This fund is used to account for revenues and costs for the purchase of road equipment.

The County reports the following additional fund types:

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

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

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 has been separated based on the type of revenue.

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

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

**D. Assets and Net Assets**

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

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

**Capital Assets.** Under the cash receipts and disbursements basis of accounting, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds. GAAP requires

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) to be reported in the applicable governmental activities columns in the government-wide financial statements.

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

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

**Restricted Net Assets.** When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net assets are reported as restricted when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$1,510 of restricted net assets, all of which is restricted by enabling legislation.

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 \$709,502 for County funds and \$51,303 for Fiduciary funds. The bank balances for all funds totaled \$763,474. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2011, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

BANNER COUNTY

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**3. Property Taxes**

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

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

The levy set in October 2010, for the 2010 taxes, which will be materially collected in May and September 2011, was set at \$.409293/\$100 of assessed valuation. The levy set in October 2009, for the 2009 taxes, which were materially collected in May and September 2010, was set at \$.432259/\$100 of assessed valuation. The amount collected for 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. It may be increased by 1% by a three-fourths majority of the County Board.

**4. Retirement System**

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

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

County employees and elected officials contribute 4.5% of their total compensation. In addition, the County contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by § 23-2307 and § 23-2308 and may be amended through legislative action. The employee's and employer's contributions are



BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

kept in separate accounts. The employee's account is fully vested. The employer's account is fully vested after three years of participation in the system or credit for participation in another governmental plan prior to actual contribution to the Plan. Prior service benefits are paid directly by the County to the retired employee.

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

For the year ended June 30, 2011, 24 employees contributed \$19,815, and the County contributed \$29,723. Additionally, for the year ended June 30, 2011, 2 law enforcement employees and the County contributed \$388 in cash contributions for the supplemental law enforcement plan.

5. **Risk Management**

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

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

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

BANNER COUNTY

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**5. Risk Management** (Concluded)

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

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

**6. Interfund Transfers**

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

<u>Transfers to</u>	<u>Transfers from</u>		<u>Total</u>
	<u>Inheritance Fund</u>	<u>Nonmajor Funds</u>	
General Fund	\$ 51,000	\$ 512	\$ 51,512
Road Fund	-	55	55
Total	<u>\$ 51,000</u>	<u>\$ 567</u>	<u>\$ 51,567</u>

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

In the year ended June 30, 2011, the County closed the Noxious Weed Control Fund and the Bridge Construction Fund and transferred the balances of these funds to the General Fund and the Road Fund respectively.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. **Capital Leases Payable**

Changes to the commitments under lease agreement for equipment and amounts to provide for annual rental payments are as follows:

	John Deere Motorgrader	Caterpillar Motorgrader	Total
Balance July 1, 2010	\$ 26,045	\$ -	\$ 26,045
Purchases	-	140,000	140,000
Payments	26,045	15,241	41,286
Balance June 30, 2011	<u>\$ -</u>	<u>\$ 124,759</u>	<u>\$ 124,759</u>
Future Payments:			
<b>Year</b>			
2012	\$ -	\$ 30,165	\$ 30,165
2013	-	30,165	30,165
2014	-	30,165	30,165
2015	-	30,165	30,165
2016	-	12,569	12,569
Total Payments	<u>-</u>	<u>133,229</u>	<u>133,229</u>
Less Interest	<u>-</u>	<u>8,470</u>	<u>8,470</u>
Present Value of Future Minimum Lease Payments	<u>\$ -</u>	<u>\$ 124,759</u>	<u>\$ 124,759</u>
Carrying Value of the related Fixed Asset	<u>\$ 141,427</u>	<u>\$ 140,000</u>	<u>\$ 281,427</u>

**BANNER COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 487,746	\$ 487,746	\$ 446,386	\$ (41,360)
Licenses and Permits	6,200	6,200	3,907	(2,293)
Interest	26,000	26,000	13,851	(12,149)
Intergovernmental	122,947	122,947	58,518	(64,429)
Charges for Services	76,400	76,400	63,253	(13,147)
Miscellaneous	25,000	25,000	2,599	(22,401)
<b>TOTAL RECEIPTS</b>	<u>744,293</u>	<u>744,293</u>	<u>588,514</u>	<u>(155,779)</u>
<b>DISBURSEMENTS</b>				
General Government:				
County Board	25,650	25,650	25,075	575
County Clerk	44,178	44,178	40,997	3,181
County Treasurer	48,400	53,002	53,002	-
County Assessor	49,528	49,528	43,764	5,764
Election Commissioner	12,440	12,440	6,789	5,651
Clerk of the District Court	5,640	5,640	4,051	1,589
County Court System	2,900	2,900	1,511	1,389
Building and Grounds	50,900	50,900	30,201	20,699
Agricultural Extension Agent	22,607	22,607	21,716	891
Miscellaneous	343,650	339,048	293,108	45,940
Public Safety:				
County Sheriff	81,640	81,640	46,743	34,897
County Attorney	39,600	39,600	35,393	4,207
Emergency Management	80,000	80,000	3,150	76,850
Predatory Animal Control	8,200	8,200	6,645	1,555
Public Works:				
Noxious Weed Control	44,400	44,400	28,700	15,700
Public Health:				
Miscellaneous	4,250	4,250	4,173	77
Public Assistance:				
Veterans' Service Officer	500	500	500	-
<b>TOTAL DISBURSEMENTS</b>	<u>864,483</u>	<u>864,483</u>	<u>645,518</u>	<u>218,965</u>

(Continued)

**BANNER COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(120,190)	(120,190)	(57,004)	63,186
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,512	100,512	51,512	(49,000)
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>100,512</u>	<u>100,512</u>	<u>51,512</u>	<u>(49,000)</u>
Net Change in Fund Balance	(19,678)	(19,678)	(5,492)	14,186
<b>FUND BALANCE - BEGINNING</b>	<u>19,750</u>	<u>19,750</u>	<u>28,290</u>	<u>8,540</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 72</u></u>	<u><u>\$ 72</u></u>	<u><u>\$ 22,798</u></u>	<u><u>\$ 22,726</u></u>

(Concluded)

**BANNER COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**MAJOR FUNDS**  
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>ROAD FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 235,334	\$ 235,334	\$ 231,604	\$ (3,730)
Intergovernmental	442,386	442,386	1,345,692	903,306
Charges for Services	6,000	6,000	1,309	(4,691)
Miscellaneous	12,000	12,000	18,842	6,842
<b>TOTAL RECEIPTS</b>	<b>695,720</b>	<b>695,720</b>	<b>1,597,447</b>	<b>901,727</b>
<b>DISBURSEMENTS</b>	<b>1,064,170</b>	<b>1,064,170</b>	<b>1,614,254</b>	<b>(550,084)</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>(368,450)</b>	<b>(368,450)</b>	<b>(16,807)</b>	<b>351,643</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	342,991	342,991	55	(342,936)
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>342,991</b>	<b>342,991</b>	<b>55</b>	<b>(342,936)</b>
Net Change in Fund Balance	(25,459)	(25,459)	(16,752)	8,707
FUND BALANCE - BEGINNING	25,459	25,459	25,459	-
FUND BALANCE - ENDING	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,707</b>	<b>\$ 8,707</b>
<b>INHERITANCE FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ -	\$ -	\$ 6,373	\$ 6,373
<b>TOTAL RECEIPTS</b>	<b>-</b>	<b>-</b>	<b>6,373</b>	<b>6,373</b>
<b>DISBURSEMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>-</b>	<b>-</b>	<b>6,373</b>	<b>6,373</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(267,777)	(267,777)	(51,000)	216,777
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(267,777)</b>	<b>(267,777)</b>	<b>(51,000)</b>	<b>216,777</b>
Net Change in Fund Balance	(267,777)	(267,777)	(44,627)	223,150
FUND BALANCE - BEGINNING	417,777	417,777	417,777	-
FUND BALANCE - ENDING	<b>\$ 150,000</b>	<b>\$ 150,000</b>	<b>\$ 373,150</b>	<b>\$ 223,150</b>

(Continued)

BANNER COUNTY  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**MAJOR FUNDS**  
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>HARD SURFACE ROAD FUND</u></b>				
<b>RECEIPTS</b>				
Taxes	\$ -	\$ -	\$ 11,469	\$ 11,469
Intergovernmental	-	-	57	57
<b>TOTAL RECEIPTS</b>	<b>-</b>	<b>-</b>	<b>11,526</b>	<b>11,526</b>
<b>DISBURSEMENTS</b>	<b>20,000</b>	<b>20,000</b>	<b>2,900</b>	<b>17,100</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>8,626</b>	<b>28,626</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(175,157)	(175,157)	-	175,157
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(175,157)</b>	<b>(175,157)</b>	<b>-</b>	<b>175,157</b>
Net Change in Fund Balance	(195,157)	(195,157)	8,626	203,783
FUND BALANCE - BEGINNING	195,157	195,157	195,156	(1)
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,782</u>	<u>\$ 203,782</u>
<b><u>ROAD EQUIPMENT SINKING FUND</u></b>				
<b>RECEIPTS</b>				
Taxes	\$ -	\$ -	\$ 11,491	\$ 11,491
Intergovernmental	-	-	56	56
<b>TOTAL RECEIPTS</b>	<b>-</b>	<b>-</b>	<b>11,547</b>	<b>11,547</b>
<b>DISBURSEMENTS</b>	<b>68,157</b>	<b>68,157</b>	<b>-</b>	<b>68,157</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>(68,157)</b>	<b>(68,157)</b>	<b>11,547</b>	<b>79,704</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	(68,157)	(68,157)	11,547	79,704
FUND BALANCE - BEGINNING	68,157	68,157	68,157	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,704</u>	<u>\$ 79,704</u>

(Concluded)

## BANNER COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2011

#### BUDGETARY COMPARISON SCHEDULES

##### **GAAP Requirements**

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

##### **Budgetary Process**

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

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

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

##### **Excess of Disbursements Over Appropriations**

For the year ended June 30, 2011, disbursements exceeded budgeted appropriations in the Road Fund by \$550,084. These over-expenditures were funded by greater than anticipated receipts in Federal Highway grants.



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

	Bridge Construction Fund	County Fair Operating Fund	Federal Drug Law Enforcement Fund	Museum Board Fund	Noxious Weed Control Fund	Total Nonmajor Governmental Funds
<b>RECEIPTS</b>						
Property Taxes	\$ -	\$ 4,513	\$ -	\$ 8,954	\$ -	\$ 13,467
Intergovernmental	-	252	-	480	-	732
Charges for Services	-	-	3,400	-	-	3,400
<b>TOTAL RECEIPTS</b>	<u>-</u>	<u>4,765</u>	<u>3,400</u>	<u>9,434</u>	<u>-</u>	<u>17,599</u>
<b>DISBURSEMENTS</b>						
Public Safety	-	-	3,911	-	-	3,911
Culture and Recreation	-	3,000	-	6,068	-	9,068
<b>TOTAL DISBURSEMENTS</b>	<u>-</u>	<u>3,000</u>	<u>3,911</u>	<u>6,068</u>	<u>-</u>	<u>12,979</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>-</u>	<u>1,765</u>	<u>(511)</u>	<u>3,366</u>	<u>-</u>	<u>4,620</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(55)	-	-	-	(512)	(567)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(55)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(512)</u>	<u>(567)</u>
Net Change in Fund Balances	(55)	1,765	(511)	3,366	(512)	4,053
<b>FUND BALANCES - BEGINNING</b>	<u>57</u>	<u>1,596</u>	<u>2,021</u>	<u>13,122</u>	<u>512</u>	<u>17,308</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2</u>	<u>\$ 3,361</u>	<u>\$ 1,510</u>	<u>\$16,488</u>	<u>\$ -</u>	<u>\$ 21,361</u>
<b>FUND BALANCES:</b>						
Restricted for:						
Law Enforcement	\$ -	\$ -	\$ 1,510	\$ -	\$ -	\$ 1,510
Committed to:						
Road Maintenance	2	-	-	-	-	2
Culture and Recreation	-	3,361	-	16,488	-	19,849
<b>TOTAL FUND BALANCES</b>	<u>\$ 2</u>	<u>\$ 3,361</u>	<u>\$ 1,510</u>	<u>\$16,488</u>	<u>\$ -</u>	<u>\$ 21,361</u>

**BANNER COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>BRIDGE CONSTRUCTION FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
<b>TOTAL RECEIPTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DISBURSEMENTS</b>				
	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(57)	(57)	(55)	2
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>(57)</b>	<b>(57)</b>	<b>(55)</b>	<b>2</b>
Net Change in Fund Balance	(57)	(57)	(55)	2
FUND BALANCE - BEGINNING	57	57	57	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>
<b>COUNTY FAIR OPERATING FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 4,706	\$ 4,706	\$ 4,513	\$ (193)
Intergovernmental	-	-	252	252
<b>TOTAL RECEIPTS</b>	<b>4,706</b>	<b>4,706</b>	<b>4,765</b>	<b>59</b>
<b>DISBURSEMENTS</b>				
	5,302	5,302	3,000	2,302
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	(596)	(596)	1,765	2,361
FUND BALANCE - BEGINNING	1,596	1,596	1,596	-
FUND BALANCE - ENDING	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 3,361</u>	<u>\$ 2,361</u>

(Continued)

**BANNER COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>FEDERAL DRUG LAW ENFORCEMENT FUND</b>				
<b>RECEIPTS</b>				
Charges for Services	\$ 10,000	\$ 10,000	\$ 3,400	\$ (6,600)
<b>TOTAL RECEIPTS</b>	<b>10,000</b>	<b>10,000</b>	<b>3,400</b>	<b>(6,600)</b>
<b>DISBURSEMENTS</b>	<b>12,021</b>	<b>12,021</b>	<b>3,911</b>	<b>8,110</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	(2,021)	(2,021)	(511)	1,510
FUND BALANCE - BEGINNING	2,021	2,021	2,021	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,510</u>	<u>\$ 1,510</u>
<b>MUSEUM BOARD FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 8,964	\$ 8,964	\$ 8,954	\$ (10)
Intergovernmental	-	-	480	480
<b>TOTAL RECEIPTS</b>	<b>8,964</b>	<b>8,964</b>	<b>9,434</b>	<b>470</b>
<b>DISBURSEMENTS</b>	<b>10,000</b>	<b>10,000</b>	<b>6,068</b>	<b>3,932</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	(1,036)	(1,036)	3,366	4,402
FUND BALANCE - BEGINNING	1,036	1,036	13,122	12,086
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,488</u>	<u>\$ 16,488</u>

(Continued)

BANNER COUNTY  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>NOXIOUS WEED CONTROL FUND</u></b>				
<b>RECEIPTS</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
<b>TOTAL RECEIPTS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DISBURSEMENTS</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(512)	(512)	(512)	-
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>(512)</u>	<u>(512)</u>	<u>(512)</u>	<u>-</u>
Net Change in Fund Balance	(512)	(512)	(512)	-
FUND BALANCE - BEGINNING	512	512	512	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
				(Concluded)

**BANNER COUNTY**  
**SCHEDULE OF OFFICE ACTIVITIES**  
For the Year Ended June 30, 2011

	County Clerk	Clerk of the District Court	County Sheriff	Highway Superintendent	Museum	Fair	Total
BALANCE JULY 1, 2010	\$ 8,673	\$ 10,676	\$ 714	\$ -	\$ 12,086	\$ 1,064	\$ 33,213
<b>RECEIPTS</b>							
Property Taxes	-	-	-	-	-	-	-
Licenses and Permits	-	-	1,035	-	-	-	1,035
Intergovernmental	-	-	-	32,920	-	-	32,920
Charges for Services	27,935	1,266	794	920	-	-	30,915
Miscellaneous	-	-	-	19,231	10,000	3,000	32,231
State Fees	11,699	1,312	-	-	-	-	13,011
Other Liabilities	-	17,947	-	-	-	-	17,947
<b>TOTAL RECEIPTS</b>	<b>39,634</b>	<b>20,525</b>	<b>1,829</b>	<b>53,071</b>	<b>10,000</b>	<b>3,000</b>	<b>128,059</b>
<b>DISBURSEMENTS</b>							
Payments to County Treasurer	34,664	1,754	2,409	53,071	-	-	91,898
Payments to State Treasurer	10,582	1,312	-	-	-	-	11,894
Other Liabilities	-	19,002	-	-	6,068	3,427	28,497
<b>TOTAL DISBURSEMENTS</b>	<b>45,246</b>	<b>22,068</b>	<b>2,409</b>	<b>53,071</b>	<b>6,068</b>	<b>3,427</b>	<b>132,289</b>
BALANCE JUNE 30, 2011	<u>\$ 3,061</u>	<u>\$ 9,133</u>	<u>\$ 134</u>	<u>\$ -</u>	<u>\$ 16,018</u>	<u>\$ 637</u>	<u>\$ 28,983</u>
<b>BALANCE CONSISTS OF:</b>							
Due to County Treasurer	\$ 1,812	\$ 430	\$ 134	\$ -	\$ 16,018	\$ 637	\$ 19,031
Petty Cash	50	-	-	-	-	-	50
Due to State Treasurer	1,199	448	-	-	-	-	1,647
Due to Others	-	8,255	-	-	-	-	8,255
BALANCE JUNE 30, 2011	<u>\$ 3,061</u>	<u>\$ 9,133</u>	<u>\$ 134</u>	<u>\$ -</u>	<u>\$ 16,018</u>	<u>\$ 637</u>	<u>\$ 28,983</u>

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

Item	2006	2007	2008	2009	2010
<b>Tax Certified by Assessor</b>					
Real Estate	\$ 1,986,242	\$ 1,925,226	\$ 2,175,373	\$ 2,195,749	\$ 2,416,030
Personal and Specials	164,379	177,722	170,897	200,182	214,405
<b>Total</b>	<u>2,150,621</u>	<u>2,102,948</u>	<u>2,346,270</u>	<u>2,395,931</u>	<u>2,630,435</u>
<b>Corrections</b>					
Additions	187	1,651	1,413	-	360
Deductions	(902)	(565)	(1,455)	(336)	(542)
<b>Net Additions/ (Deductions)</b>	<u>(715)</u>	<u>1,086</u>	<u>(42)</u>	<u>(336)</u>	<u>(182)</u>
<b>Corrected Certified Tax</b>	<u>2,149,906</u>	<u>2,104,034</u>	<u>2,346,228</u>	<u>2,395,595</u>	<u>2,630,253</u>
<b>Net Tax Collected by County Treasurer during Fiscal Year Ending:</b>					
June 30, 2007	1,303,539	-	-	-	-
June 30, 2008	846,337	1,313,505	-	-	-
June 30, 2009	-	779,156	1,508,555	-	-
June 30, 2010	-	4,618	823,638	1,480,956	-
June 30, 2011	-	2,837	568	907,142	1,723,869
<b>Total Net Collections</b>	<u>2,149,876</u>	<u>2,100,116</u>	<u>2,332,761</u>	<u>2,388,098</u>	<u>1,723,869</u>
<b>Total Uncollected Tax</b>	<u>\$ 30</u>	<u>\$ 3,918</u>	<u>\$ 13,467</u>	<u>\$ 7,497</u>	<u>\$ 906,384</u>
<b>Percentage Uncollected Tax</b>	<u>0.00%</u>	<u>0.19%</u>	<u>0.57%</u>	<u>0.31%</u>	<u>34.46%</u>

BANNER COUNTY  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Passed through Nebraska Department of Health and Human Services		
Child Support Enforcement	93.563	\$ <u>1,485</u>
Total U.S. Department of Health and Human Services		<u>1,485</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>		
Passed through Nebraska Department of Roads		
Highway Planning and Construction	ARRA 20.205	1,006,516 *
Highway Planning and Construction	20.205	<u>34,073 *</u>
Total U.S. Department of Transportation		<u>1,040,589</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 1,042,074</u></u>

\* Represents Major Programs

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

## BANNER COUNTY

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

#### 1. General

The accompanying schedule of expenditures of Federal awards (the Schedule) presents the activity of all Federal awards programs of Banner County (the County), except as noted in Note 2 below. The County's reporting entity is defined in Note 1.A. to the County's financial statements. Federal awards received directly from Federal agencies, as well as those passed through other government agencies, are included in the Schedule. Unless otherwise noted on the Schedule, all programs are received directly from the respective Federal agency. Due to the operations of the County, the accumulation of amounts passed to subrecipients by the County is not practical.

#### 2. Summary of Significant Accounting Policies

##### A. **Reporting Entity**

The County's reporting entity is defined in Note 1.A. to the financial statements. The accompanying Schedule includes the Federal awards programs administered by the County for the fiscal year ended June 30, 2011.

##### B. **Basis of Presentation**

The accompanying Schedule presents total expenditures for each Federal awards program in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Federal program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA), whenever possible.

**Federal Awards.** Pursuant to OMB Circular A-133, Federal awards are defined as assistance provided by a Federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations.

**Major Programs.** In accordance with OMB Circular A-133, major programs are determined using a risk-based approach. Programs in the accompanying Schedule denoted with an asterisk (\*) are considered major programs.

##### C. **Basis of Accounting**

The accompanying schedule was prepared on the cash basis of accounting.

**Matching Costs.** The Schedule does not include matching expenditures from general revenues of the County.





# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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BANNER COUNTY  
**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 Commissioners  
Banner County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Banner County as of and for the year ended June 30, 2011, and have issued our report thereon dated December 8, 2011. The report notes the financial statements were prepared on the basis of cash receipts and disbursements. Except as noted above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Banner County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Banner County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect, or correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, detected or corrected on a timely basis. We consider the following deficiency to be a material weakness:

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the County's internal control to be a significant deficiency:

- The County Treasurer did not have procedures in place to ensure complete and accurate daily balancing of office assets to liabilities recorded on the MIPS system; MIPS is the third-party vendor providing taxation and accounting software for the County Treasurer's office. As of June 30, 2011, the office assets exceed the liabilities recorded on MIPS by \$334.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Banner County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of Banner County in a separate letter dated December 8, 2011.

Banner County's response to the findings identified in our audit are described in the separate letter. We did not audit Banner County's response and, accordingly, we express no opinion on it.

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

Signed Original on File

December 8, 2011

Deann Haeffner, CPA  
Assistant Deputy Auditor



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley  
State Auditor

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BANNER COUNTY

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners  
Banner County, Nebraska

### Compliance

We have audited Banner County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Banner County's major Federal programs for the year ended June 30, 2011. Banner County's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Banner County's management. Our responsibility is to express an opinion on Banner County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Banner County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Banner County's compliance with those requirements.

In our opinion, Banner County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding #2011-2.

### Internal Control Over Compliance

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

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

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

Banner County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Banner County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the County Board, others within the entity, citizens of the State of Nebraska, the State Legislature, and Federal awarding agencies and pass-through entities 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.

Signed Original on File

December 8, 2011

Deann Haeffner, CPA  
Assistant Deputy Auditor

BANNER COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2011

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued:	<b>Unqualified</b>			
Internal control over financial reporting:				
Material weaknesses identified?	<u>X</u>	Yes	<u>    </u>	No
Significant deficiencies identified?	<u>X</u>	Yes	<u>    </u>	No
Noncompliance material to financial statements noted?	<u>X</u>	Yes	<u>    </u>	No
Internal control over major programs:				
Material weaknesses identified?	<u>    </u>	Yes	<u>X</u>	No
Significant deficiencies identified?	<u>    </u>	Yes	<u>X</u>	None Reported
Type of auditor's report issued on compliance for major programs:	<b>Unqualified</b>			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133:	<u>X</u>	Yes	<u>    </u>	No
Major programs:	<b>Highway Planning and Construction, CFDA #20.205</b>			
Dollar threshold used to distinguish between type A and type B programs:	\$300,000			
Auditee qualified as low-risk auditee:	<u>    </u>	Yes	<u>X</u>	No

SECTION II. FINANCIAL STATEMENT FINDINGS

**Finding #2011-1**

Condition - There is a lack of segregation of accounting functions among various County offices and personnel. This is a continuing item from the prior year.

Criteria - Authorization or approval of transactions, recording of transactions, and custody of assets should normally be segregated from each other.

BANNER COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

(Continued)

SECTION II. FINANCIAL STATEMENT FINDINGS (Concluded)

Effect of the Condition - This lack of segregation of duties results in an inadequate overall internal control structure design.

Cause of the Condition - The County does not employ sufficient office personnel to properly segregate accounting functions.

Recommendation - The County should be aware of the inherent risks associated with improper segregation of accounting functions. The County should also develop mitigating controls to reduce the risk of errors or fraud associated with improper segregation of accounting functions.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Finding #2011-2**

Program - CFDA 20.205 – Highway Planning and Construction

Federal Grantor Agency - U.S. Department of Transportation passed through Nebraska Department of Roads

Condition - The receipts and disbursements related to the Highway Planning and Construction Grant were not approved by the County Board or reflected in the County budget.

Criteria - Neb. Rev. Stat. § 23-109(1) (Reissue 2007) states, “The county board shall have power to examine and settle all accounts against the county and all accounts concerning the receipts and expenditures of the county.” Neb. Rev. Stat. § 23-903 (Reissue 2007) requires the budget of the County to present a complete financial plan of all expenditures and anticipated income. OMB Circular A-87 (C.1.e.) requires expenditures to be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

Questioned Costs - None

Context - The grant was administered by the Nebraska Department of Roads, the County did not receive or disburse the Federal funds. The County oversaw the work performed on the project and signed the agreement with the vendor to perform the work.

Cause - The Nebraska Department of Roads established procedures to be followed by the County, but failed to consider all applicable State statutes.

BANNER COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Concluded)

Effect of the Condition - The County was not in compliance with State statutes.

Recommendation - We recommend the County Board approve all payments to the vendor and record all expenditures and income in the County budget.

Management's Response – The County is aware of our audit regarding the Federal money that was used for highway projects in the County. We were not aware, however, of our requirement to budget for the funds used in these projects. We will make every effort to follow all regulations as required in the future.

**MANAGEMENT LETTER  
OF  
BANNER COUNTY**

**JULY 1, 2010 THROUGH JUNE 30, 2011**

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

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

**Issued on December 20, 2011**





# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 8, 2011

Board of Commissioners  
Banner County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Banner County (County) for the fiscal year ended June 30, 2011, and have issued our report thereon dated December 8, 2011. 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**

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### **Segregation of Duties**

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

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

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

## COUNTY TREASURER

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### **Balancing Procedures**

The County Treasurer did not have procedures in place to ensure complete and accurate daily balancing of office assets to liabilities recorded on the MIPS system; MIPS is the third-party vendor providing taxation and accounting software for the County Treasurer's office. As of June 30, 2011, the office assets exceeded the liabilities recorded on MIPS by \$334.

The following types of errors were identified during review of the County Treasurer's records:

- One-sided journal entries were entered into MIPS instead of issuing a receipt or disbursement.
- Non-sufficient fund checks were deducted from the bank balance, however, corresponding receipts were not voided or adjusted in MIPS.
- Bank card charges were deducted from the bank balance, however, were never claimed to the County and never entered in MIPS.
- Instances were noted in which monies had been either receipted twice or not at all.
- Balances were not carried forward correctly from month to month on the daily balance sheets.
- The April 2011 operating statement was never printed and retained for subsequent inspection. MIPS is unable to go back and reprint the operating statement, therefore this important financial data was not available for audit.
- There were no procedures in place to identify variances noted during the reconciliation of the book balance to the bank balance. Reconciliations from January 2011 through June 2011 had been completed using unidentified variances. We were able to locate and identify all of the County Treasurer's unidentified reconciling items during the audit.

Sound accounting practices and good internal control require all office assets be reconciled to recorded liabilities on a daily basis to ensure complete and accurate accountability. Furthermore, all discrepancies or variances must be investigated and resolved in a timely manner. Without complete and accurate daily balancing procedures there is an increased risk of loss, theft, or misuse of funds as well as undetected intentional and/or unintentional accounting errors.

We strongly recommend the County Treasurer immediately implement daily balancing procedures which completely and accurately reconcile office assets with liabilities.

### *County Treasurer's Response:*

- *Inaccuracy of daily balancing – Procedures have been improved to help insure balancing. Most of the errors were due to inexperience, and a lack of training for the County Treasurer and my staff, of which I take responsibility.*
- *Entry errors – Knowledge has been gained through, experience and consultation with the audit staff, to help improve the knowledge of entry methods.*
- *Check Book Reconciliation – This error occurred when an entry was made on a transaction which we do on a very limited basis, adjoining counties were consulted, but the error was still made, and the entry was made twice. During the audit, we were told that although the error was made, it was a very difficult error to locate.*

## **Property Tax Credit**

The County Treasurer deducted one percent in commission from the Property Tax Credit distribution twice, causing the distribution to the political subdivisions to be incorrect. The excess amount deducted from the distribution of \$1,218 was remitted to the State instead of being distributed.

Neb. Rev. Stat. § 77-4212(4) (Reissue 2009) relating to the distribution of the Property Tax Credit states “After retaining one percent of the receipts for costs, the county treasurer shall allocate the remaining receipts to each taxing unit levying taxes on taxable property in the tax district in which the real property is located in the same proportion that the levy of such taxing unit bears to the total levy on taxable property of all the taxing units in the tax district in which the real property is located.”

The County Treasurer’s incorrect calculation of the Property Tax Credit not only resulted in statutory noncompliance, but also caused distributions to the various political subdivisions in the County to be short.

We recommend the County Treasurer implement procedures to ensure all Property Tax Credit distributions are properly calculated and distributed. Additionally, the County Treasurer should determine corrective action to return all monies due to political subdivisions as a result of the noted calculation error whether that be requesting a refund from the State of Nebraska or filing a claim to the County General Fund.

*County Treasurer’s Response: When these monies were receipted, we consulted MIPS to hopefully ensure that we were allocating these monies properly. Again, due to lack of training, and no hands on experience offered from the prior office-holder, we struggled with many of these endeavors.*

## **COUNTY BOARD**

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### **Documentation of I-9 and W-4 Forms**

During our audit, it was noted three of five employees tested did not have a Form I-9 on file. Additionally, one of five employees tested did not have a current IRS W-4 Form on file. Because the current W-4 Form was not on file, withholdings were incorrectly calculated and, therefore, under-contributed for one employee with a State withholding variance of \$9 and a Federal withholding variance of \$48.

The Department of Homeland Security – U.S. Citizenship and Immigration Services require that Form I-9, Employment Eligibility Verification, be completed to document that an employee, hired after November 6, 1986, is eligible to work in the United States. Form I-9 must be maintained for three years after the date of hire or one year after the date the employee is terminated, whichever is later. Additionally, Internal Revenue Service (IRS) Publication 15 (Circular 15) Employer’s Tax Guide, requires the County obtain Form W-4, Employee’s Withholding Allowance Certificate, for all employees to ensure the proper Federal income tax is withheld.

When all required employment and withholding forms are not obtained and retained, there is an increased risk of employment fraud and incorrect calculation of payroll withholdings.

We recommend the County review its procedures to ensure all required employment and withholding forms are appropriately obtained and retained.

### **Inventory Procedures**

The Highway Superintendent inventory did not include any reporting of County machinery such as motor graders, loaders, motor vehicles, trailers, and sprayers which are of significant property value to the County. This issue was also noted in a prior audit.

Neb. Rev. Stat. § 23-347 (Reissue 2007) requires county officers to file with the County Board within two calendar months after the close of each fiscal year an inventory statement of all county personal property in their custody and possession.

When annual inventory statements are not filed completely, accurately, and timely, the County is non-compliant with Neb. Rev. Stat. § 23-347. In addition, the County subjects itself to an increased risk of loss, theft, or misuse of County personal property.

We recommend the County implement procedures to ensure all annual inventory statements are filed completely and accurately.

### **Supplemental Retirement**

Neb. Rev. Stat. § 23-2332.01 (Reissue 2007) states, in part, that counties “shall establish and fund a supplemental retirement plan for the benefit of all present and future commissioned law enforcement personnel employed by such county who possess a valid law enforcement officer certificate or diploma, as established by the Nebraska Police Standards Advisory Council.”

During our audit it was noted that the County Sheriff, who took office in January 2011, contributed an additional 1% to the supplemental retirement plan for three months during which he did not have a valid law enforcement officer certificate or diploma. As a result, the County Sheriff and the County both incorrectly contributed \$90 to the supplemental retirement plan during fiscal year 2011.

When employees without valid law enforcement officer certificates or diplomas are allowed to contribute toward the supplemental retirement plan, both the employee and the County’s participation is not compliant with State statute.

We recommend procedures be implemented to ensure that individuals contributing to the supplemental retirement plan are certified law enforcement officers. We further recommend the County work with the Nebraska Public Employees Retirement Systems to determine the appropriate employee and employer refunds for the amounts incorrectly contributed.

## **Claim Procedures**

During our testing of vendor claims we noted the following:

- A \$170 duplicate payment for legal services.
- A \$372 late payment for election system and software. County was billed in October 2010, however no payment was issued until February 2011.
- Lack of supporting documentation for \$5 office supply claim.

A good internal control plan requires the County Board to ensure claims are filed in a reasonable time and that adequate supporting documentation be maintained to support all expenditures approved by the County Board.

When adequate, supporting documentation is not obtained for all claims submitted to the County Board for approval, there is an increased risk that County funds will be lost or misused. In addition, there is an increased risk of loss or misuse when claims are not paid timely or previous balances are paid without investigation.

We recommend the County Board maintain adequate documentation to support all claims paid. We also recommend the County Board establish policies and procedures to ensure claims are paid timely and previous balances noted on invoices or claims are researched to reduce the risk of duplicate payment.

## **HIGHWAY SUPERINTENDENT**

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### **Accounting Procedures**

The County Highway Superintendent did not have procedures in place to adequately track billings and accounts receivable. As a result, the June 30, 2011, accounts receivable balance could not be accurately determined.

Sound accounting practices and good internal control requires adequate procedures be in place to account for all billings and related receivables. When good controls and practices are not followed, there is an increased risk of loss or misuse of funds.

We recommend the County Highway Superintendent's billing process be maintained in such a manner as to ensure receivables are easily identifiable and accounted for at all times.

*County Treasurer's Response: We have implemented what we believe to be more sound billing practices for our duties as Road Department bookkeepers, and have begun, and will for the time being balance out mid-month as a system of checks and balances for our office.*

\* \* \* \* \*

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

Draft copies of this report were furnished to the County to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the County declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but 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.

Sincerely,

Signed Original on File

Deann Haeffner, CPA  
Assistant Deputy Auditor