

**AUDIT REPORT
OF
JOHNSON COUNTY**

JULY 1, 2010 THROUGH JUNE 30, 2011

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the Auditor of Public Accounts.**

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Issued on February 22, 2012

JOHNSON COUNTY

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JOHNSON COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2011

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------------|--|---------------------|
| Monty S. Gottula | Board of Commissioners | Jan. 2015 |
| Robert G. Curry | | Jan. 2013 |
| Terry Keebler | | Jan. 2015 |
| Karen A. Koehler | Assessor | Jan. 2015 |
| Julie Smith Hogancamp | Attorney | Jan. 2015 |
| Kathleen M. Nieveen | Clerk Clerk of the District Court Election Commissioner Register of Deeds | Jan. 2015 |
| Scott Walton | Sheriff | Jan. 2015 |
| Judith A. Heidemann | Treasurer | Jan. 2015 |
| Laverne Fritsch | Veterans' Service Officer | Appointed |
| Michael Davison | Weed Superintendent Zoning Administrator | Appointed |
| Harvey Keim | Highway Superintendent | Appointed |
| Clint Strayhorn | Emergency Manager | Appointed |



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JOHNSON COUNTY

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Johnson County, Nebraska

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

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Johnson 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 January 17, 2012, on our consideration of Johnson 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

January 17, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor

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

| | Governmental Activities |
|--------------------------------------|----------------------------|
| ASSETS | |
| Cash and Cash Equivalents (Note 1.D) | \$ 787,840 |
| Investments (Note 1.D) | 191,873 |
| TOTAL ASSETS | \$ 979,713 |
| NET ASSETS | |
| Restricted for: | |
| Visitor Promotion | \$ 2,234 |
| 911 Emergency Services | 58,914 |
| Law Enforcement | 9,056 |
| Unrestricted | 909,509 |
| TOTAL NET ASSETS | \$ 979,713 |

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

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

| Functions: | Cash Disbursements | Program Cash Receipts | | Net (Disbursement) Receipts and Changes in Net Assets |
|--------------------------------------|-----------------------|---|--|--|
| | | Fees, Fines, and Charges for Services | Operating Grants and Contributions | |
| Governmental Activities: | | | | |
| General Government | \$ (991,573) | \$ 120,444 | \$ 23,000 | \$ (848,129) |
| Public Safety | (812,806) | 185,146 | 53,598 | (574,062) |
| Public Works | (3,568,543) | 3,617 | 2,440,973 | (1,123,953) |
| Health and Sanitation | (18,139) | - | - | (18,139) |
| Public Assistance | (23,150) | - | - | (23,150) |
| Culture and Recreation | (7,255) | - | - | (7,255) |
| Debt Payments | (62,820) | - | - | (62,820) |
| Total Governmental Activities | \$ (5,484,286) | \$ 309,207 | \$ 2,517,571 | (2,657,508) |

General Receipts:

| | |
|---|-------------------|
| Property Taxes | 2,179,347 |
| Grants and Contributions Not Restricted to Specific Programs | 432,378 |
| Investment Income | 8,230 |
| Licenses and Permits | 19,311 |
| Miscellaneous | 130,195 |
| Total General Receipts | 2,769,461 |
| Change in Net Assets | 111,953 |
| Net Assets - Beginning | 867,760 |
| Net Assets - Ending | \$ 979,713 |

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

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

| | General Fund | Road Fund | Inheritance Fund | Ambulance Service Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|--------------------------|--------------------------|--------------------------|------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents (Note 1.D) | \$ 222,120 | \$ 237,801 | \$ 119,496 | \$ 109,941 | \$ 98,482 | \$ 787,840 |
| Investments (Note 1.D) | - | - | 191,873 | - | - | 191,873 |
| TOTAL ASSETS | <u>\$ 222,120</u> | <u>\$ 237,801</u> | <u>\$ 311,369</u> | <u>\$ 109,941</u> | <u>\$ 98,482</u> | <u>\$ 979,713</u> |
| FUND BALANCES | | | | | | |
| Restricted for: | | | | | | |
| Visitor Promotion | \$ - | \$ - | \$ - | \$ - | \$ 2,234 | \$ 2,234 |
| 911 Emergency Services | - | - | - | - | 58,914 | 58,914 |
| Law Enforcement | - | - | - | - | 9,056 | 9,056 |
| Committed to: | | | | | | |
| Road Maintenance | - | 237,801 | - | - | - | 237,801 |
| Aid and Assistance | - | - | - | - | 14,343 | 14,343 |
| Economic Development | - | - | - | - | 13,935 | 13,935 |
| Public Safety | - | - | - | 109,941 | - | 109,941 |
| Assigned to: | | | | | | |
| Other Purposes | - | - | 311,369 | - | - | 311,369 |
| Unassigned | <u>222,120</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>222,120</u> |
| TOTAL CASH BASIS FUND BALANCES | <u>\$ 222,120</u> | <u>\$ 237,801</u> | <u>\$ 311,369</u> | <u>\$ 109,941</u> | <u>\$ 98,482</u> | <u>\$ 979,713</u> |

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

JOHNSON 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 | Ambulance Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|-------------------|---------------------|------------------------------|--------------------------------|--------------------------------|
| RECEIPTS | | | | | | |
| Property Taxes | \$2,043,572 | \$ - | \$ 94,371 | \$ - | \$ 41,404 | \$ 2,179,347 |
| Licenses and Permits | 19,311 | - | - | - | - | 19,311 |
| Interest | 8,064 | - | - | - | 166 | 8,230 |
| Intergovernmental | 453,370 | 2,454,132 | 11,701 | - | 30,746 | 2,949,949 |
| Charges for Services | 210,568 | 3,617 | - | 92,122 | 2,900 | 309,207 |
| Miscellaneous | 33,972 | 96,223 | - | - | - | 130,195 |
| TOTAL RECEIPTS | <u>2,768,857</u> | <u>2,553,972</u> | <u>106,072</u> | <u>92,122</u> | <u>75,216</u> | <u>5,596,239</u> |
| DISBURSEMENTS | | | | | | |
| General Government | 957,405 | - | 23,373 | - | 10,795 | 991,573 |
| Public Safety | 735,221 | - | - | 37,873 | 39,712 | 812,806 |
| Public Works | 9,055 | 3,415,676 | 143,812 | - | - | 3,568,543 |
| Health and Sanitation | 18,139 | - | - | - | - | 18,139 |
| Public Assistance | 13,037 | - | - | - | 10,113 | 23,150 |
| Culture and Recreation | - | - | - | - | 7,255 | 7,255 |
| Debt Service: | | | | | | |
| Principal Payments | 60,000 | - | - | - | - | 60,000 |
| Interest and Fiscal Charges | 2,820 | - | - | - | - | 2,820 |
| TOTAL DISBURSEMENTS | <u>1,795,677</u> | <u>3,415,676</u> | <u>167,185</u> | <u>37,873</u> | <u>67,875</u> | <u>5,484,286</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | <u>973,180</u> | <u>(861,704)</u> | <u>(61,113)</u> | <u>54,249</u> | <u>7,341</u> | <u>111,953</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 15 | 1,056,257 | - | - | 14,696 | 1,070,968 |
| Transfers out | (1,058,257) | - | - | - | (12,711) | (1,070,968) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(1,058,242)</u> | <u>1,056,257</u> | <u>-</u> | <u>-</u> | <u>1,985</u> | <u>-</u> |
| Net Change in Fund Balances | (85,062) | 194,553 | (61,113) | 54,249 | 9,326 | 111,953 |
| CASH BASIS FUND BALANCES - BEGINNING | <u>307,182</u> | <u>43,248</u> | <u>372,482</u> | <u>55,692</u> | <u>89,156</u> | <u>867,760</u> |
| CASH BASIS FUND BALANCES - ENDING | <u>\$ 222,120</u> | <u>\$ 237,801</u> | <u>\$ 311,369</u> | <u>\$ 109,941</u> | <u>\$ 98,482</u> | <u>\$ 979,713</u> |

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

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

| | <u>Agency Funds</u> |
|-----------------------------|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 189,143 |
| LIABILITIES | |
| Due to other governments | |
| State | 54,308 |
| Schools | 100,207 |
| Educational Service Units | 2,308 |
| Technical College | 3,242 |
| Natural Resource Districts | 2,317 |
| Fire Districts | 4,764 |
| Municipalities | 15,167 |
| Agricultural Society | 723 |
| Others | 6,107 |
| TOTAL LIABILITIES | 189,143 |
| TOTAL NET ASSETS | \$ - |

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

JOHNSON 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 Johnson County.

A. **Reporting Entity**

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

Component Unit. These financial statements present the County (the primary government). The Johnson County Hospital (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 \$16,719 toward the operation of the Region during fiscal year 2011.

JOHNSON COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services requires the Region to be audited annually in accordance with State statute. Financial information for the Region is available in those audit reports.

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

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County 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 and the Hospital. Internal activities in these statements were considered immaterial and have not been eliminated. Governmental Generally Accepted Accounting Principles (GAAP) requires internal activity to be eliminated to minimize double counting. The County reports governmental activities only. Governmental activities are generally financed through taxes, intergovernmental receipts, and other nonexchange transactions. The County is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

JOHNSON COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

The County reports the following major governmental funds:

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

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

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

Ambulance Fund. This fund is used to account for the revenues and costs associated with operating the ambulance.

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

JOHNSON COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

C. Measurement Focus, Basis of Accounting

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

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

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.

JOHNSON COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

Restricted Net Assets. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net assets are reported as restricted when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$70,204 of restricted net assets, of which \$66,627 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 \$787,840 for County funds and \$189,143 for Fiduciary funds. The bank balances for all funds totaled \$976,145. 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.

JOHNSON COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. **Deposits and Investments** (Concluded)

The County's carrying value of investments are stated at cost, which approximates market. Investments consisted of \$191,873 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a seven member Board of Trustees. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income which has accrued to each participant is converted as of the close of business of each calendar month into additional units which thereafter are held in each participant's trust account. Since net income of the fund is allocated among participant's each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the County's name.

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 \$.446665/\$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 \$.449565/\$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

JOHNSON COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2335 (Reissue 2007, Cum. Supp. 2010, Supp. 2011) and may be amended through legislative action.

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

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

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

For the year ended June 30, 2011, 48 employees contributed \$51,366, and the County contributed \$77,051. Additionally, for the year ended June 30, 2011, 8 law enforcement employees and the County contributed \$2,252 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$1,767 directly to 16 retired employees for prior service benefits.

5. **Risk Management**

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

JOHNSON COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Risk Management** (Concluded)

and obligations, the County may be assessed by the Board for an additional contribution equal to its contribution for the current fiscal year, divided by the contribution of all participants for such year, times the amount of such deficiency. Each such assessment, and the manner of calculating the same, is sent to each county in writing, and each county has sixty days in which to pay the amount of such assessment. Each county remains liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, as well as for liabilities of the Pool incurred during such county's period of membership.

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

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

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

6. **Interfund Transfers**

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

| Transfers to | Transfers from | | Total |
|---------------------|---------------------|-------------------|---------------------|
| | General Fund | Nonmajor Funds | |
| General Fund | \$ - | \$ 15 | \$ 15 |
| Road Fund | 1,056,257 | - | 1,056,257 |
| Nonmajor Funds | 2,000 | 12,696 | 14,696 |
| Total | <u>\$ 1,058,257</u> | <u>\$ 12,711</u> | <u>\$ 1,070,968</u> |

JOHNSON COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. **Interfund Transfers** (Concluded)

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

7. **Long-Term Debt**

Hospital Bond

In June 2009 the County issued \$1,830,000 of General Obligation Refunding Bonds, Series 2009 for the purpose of refunding the General Obligation Hospital Bond, Series 2003 which were issued for the purpose of paying the costs of additions, renovations, and equipment for the Hospital to primarily provide enhanced outpatient services. The Series 2009 Bonds are payable in annual installments of \$165,000 to \$195,000 from 2012 to 2019 and \$65,000 in 2020. Interest rates on the bonds vary from 1.3% to 3.60%. As the bonds are general obligation bonds of the County, the County has authority to levy additional ad valorem taxes, if necessary, to make the required principal and interest payments on the bonds in the event the Hospital cannot meet the debt service obligation. No additional taxes were levied in 2010 or 2011. Full disclosure of the liability can be found in the separately issued Hospital audit report.

JOHNSON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------|--------------------|------------------|------------------|---|
| RECEIPTS | | | | |
| Taxes | \$ 2,192,417 | \$ 2,192,417 | \$ 2,043,572 | \$ (148,845) |
| Licenses and Permits | 18,760 | 18,760 | 19,311 | 551 |
| Interest | 10,100 | 10,100 | 8,064 | (2,036) |
| Intergovernmental | 361,237 | 361,237 | 453,370 | 92,133 |
| Charges for Services | 371,640 | 371,640 | 210,568 | (161,072) |
| Miscellaneous | 34,800 | 34,800 | 33,972 | (828) |
| TOTAL RECEIPTS | <u>2,988,954</u> | <u>2,988,954</u> | <u>2,768,857</u> | <u>(220,097)</u> |
| DISBURSEMENTS | | | | |
| General Government: | | | | |
| County Board | 44,280 | 44,280 | 40,870 | 3,410 |
| County Clerk | 82,120 | 82,120 | 80,753 | 1,367 |
| County Treasurer | 73,105 | 73,105 | 72,017 | 1,088 |
| County Assessor | 96,628 | 96,628 | 93,204 | 3,424 |
| Election Commissioner | 11,000 | 11,000 | 10,339 | 661 |
| Building and Zoning | 3,250 | 5,471 | 5,471 | - |
| Clerk of the District Court | 4,395 | 4,395 | 1,930 | 2,465 |
| County Court System | 3,000 | 3,000 | 1,885 | 1,115 |
| District Judge | 12,926 | 13,726 | 13,726 | - |
| Public Defender | 40,000 | 40,000 | 40,000 | - |
| Building and Grounds | 29,010 | 29,010 | 28,882 | 128 |
| Agricultural Extension Agent | 31,510 | 31,510 | 31,301 | 209 |
| Miscellaneous | 529,725 | 529,725 | 537,027 | (7,302) |
| Public Safety: | | | | |
| County Sheriff | 448,695 | 448,695 | 408,304 | 40,391 |
| County Attorney | 81,293 | 81,293 | 77,141 | 4,152 |
| County Jail | 207,494 | 207,494 | 195,189 | 12,305 |
| Emergency Management | 17,500 | 21,294 | 21,294 | - |
| Child Support Enforcement | 12,912 | 12,912 | 12,561 | 351 |
| State Correctional Institution | 12,100 | 12,100 | 8,990 | 3,110 |
| Miscellaneous | 169,526 | 161,551 | 11,742 | 149,809 |
| Public Works: | | | | |
| Noxious Weed Control | 7,975 | 9,055 | 9,055 | - |

(Continued)

JOHNSON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------|---|
| DISBURSEMENTS (Continued) | | | | |
| Public Health: | | | | |
| Miscellaneous | 18,509 | 18,509 | 18,139 | 370 |
| Public Assistance: | | | | |
| Veterans' Service Officer | 9,957 | 10,037 | 10,037 | - |
| Miscellaneous | 3,000 | 3,000 | 3,000 | - |
| Debt Service: | | | | |
| Principal Payments | 60,000 | 60,000 | 60,000 | - |
| Interest and Charges | 2,820 | 2,820 | 2,820 | - |
| TOTAL DISBURSEMENTS | <u>2,012,730</u> | <u>2,012,730</u> | <u>1,795,677</u> | <u>217,053</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | <u>976,224</u> | <u>976,224</u> | <u>973,180</u> | <u>(3,044)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 15 | 15 |
| Transfers out | (1,059,769) | (1,059,769) | (1,058,257) | 1,512 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(1,059,769)</u> | <u>(1,059,769)</u> | <u>(1,058,242)</u> | <u>1,527</u> |
| Net Change in Fund Balance | (83,545) | (83,545) | (85,062) | (1,517) |
| FUND BALANCE - BEGINNING | <u>303,545</u> | <u>303,545</u> | <u>307,182</u> | <u>3,637</u> |
| FUND BALANCE - ENDING | <u>\$ 220,000</u> | <u>\$ 220,000</u> | <u>\$ 222,120</u> | <u>\$ 2,120</u> |

(Concluded)

JOHNSON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-------------------|-------------------|---|
| ROAD FUND | | | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ 913,974 | \$ 913,974 | \$ 2,454,132 | \$ 1,540,158 |
| Charges for Services | 1,000 | 1,000 | 3,617 | 2,617 |
| Miscellaneous | 70,000 | 70,000 | 96,223 | 26,223 |
| TOTAL RECEIPTS | 984,974 | 984,974 | 2,553,972 | 1,568,998 |
| DISBURSEMENTS | 1,820,978 | 1,820,978 | 3,415,676 | (1,594,698) |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | (836,004) | (836,004) | (861,704) | (25,700) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,056,256 | 1,056,256 | 1,056,257 | 1 |
| Transfers out | (143,500) | (143,500) | - | 143,500 |
| TOTAL OTHER FINANCING SOURCES (USES) | 912,756 | 912,756 | 1,056,257 | 143,501 |
| Net Change in Fund Balance | 76,752 | 76,752 | 194,553 | 117,801 |
| FUND BALANCE - BEGINNING | 43,248 | 43,248 | 43,248 | - |
| FUND BALANCE - ENDING | \$ 120,000 | \$ 120,000 | \$ 237,801 | \$ 117,801 |
| INHERITANCE FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 100,000 | \$ 100,000 | \$ 94,371 | \$ (5,629) |
| Intergovernmental | - | - | 11,701 | 11,701 |
| TOTAL RECEIPTS | 100,000 | 100,000 | 106,072 | 6,072 |
| DISBURSEMENTS | 615,982 | 615,982 | 167,185 | 448,797 |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | (515,982) | (515,982) | (61,113) | 454,869 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 143,500 | 143,500 | - | (143,500) |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 143,500 | 143,500 | - | (143,500) |
| Net Change in Fund Balance | (372,482) | (372,482) | (61,113) | 311,369 |
| FUND BALANCE - BEGINNING | 372,482 | 372,482 | 372,482 | - |
| FUND BALANCE - ENDING | \$ - | \$ - | \$ 311,369 | \$ 311,369 |

(Continued)

JOHNSON 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) |
|---|--------------------|-----------------|-------------------|---|
| <u>AMBULANCE SERVICE FUND</u> | | | | |
| RECEIPTS | | | | |
| Charges for Services | \$ 90,000 | \$ 90,000 | \$ 92,122 | \$ 2,122 |
| TOTAL RECEIPTS | <u>90,000</u> | <u>90,000</u> | <u>92,122</u> | <u>2,122</u> |
| | | | | |
| DISBURSEMENTS | <u>145,692</u> | <u>145,692</u> | <u>37,873</u> | <u>107,819</u> |
| | | | | |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | <u>(55,692)</u> | <u>(55,692)</u> | <u>54,249</u> | <u>109,941</u> |
| | | | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | | |
| Net Change in Fund Balance | (55,692) | (55,692) | 54,249 | 109,941 |
| FUND BALANCE - BEGINNING | 55,692 | 55,692 | 55,692 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 109,941</u> | <u>\$ 109,941</u> |

(Concluded)

JOHNSON 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.

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

| | Economic Development Fund | Visitor Promotion Fund | Medical Relief Fund | Veterans' Aid Fund | STOP Program Fund |
|---|---------------------------------|------------------------------|------------------------|-----------------------|-------------------------|
| RECEIPTS | | | | | |
| Property Taxes | \$ - | \$ 7,151 | \$ - | \$ - | \$ - |
| Interest | - | - | - | 166 | - |
| Intergovernmental | - | - | 3 | - | - |
| Charges for Services | - | - | - | - | 2,900 |
| TOTAL RECEIPTS | <u>-</u> | <u>7,151</u> | <u>3</u> | <u>166</u> | <u>2,900</u> |
| DISBURSEMENTS | | | | | |
| General Government | - | - | - | - | - |
| Public Safety | - | - | - | - | 3,319 |
| Public Assistance | - | - | 500 | 9,613 | - |
| Culture and Recreation | - | 7,255 | - | - | - |
| TOTAL DISBURSEMENTS | <u>-</u> | <u>7,255</u> | <u>500</u> | <u>9,613</u> | <u>3,319</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | <u>-</u> | <u>(104)</u> | <u>(497)</u> | <u>(9,447)</u> | <u>(419)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | - | (104) | (497) | (9,447) | (419) |
| FUND BALANCES - BEGINNING | <u>13,935</u> | <u>2,338</u> | <u>5,111</u> | <u>19,176</u> | <u>3,996</u> |
| FUND BALANCES - ENDING | <u>\$ 13,935</u> | <u>\$ 2,234</u> | <u>\$ 4,614</u> | <u>\$ 9,729</u> | <u>\$ 3,577</u> |
| FUND BALANCES: | | | | | |
| Restricted for: | | | | | |
| Visitor Promotion | \$ - | \$ 2,234 | \$ - | \$ - | \$ - |
| 911 Emergency Services | - | - | - | - | - |
| Law Enforcement | - | - | - | - | 3,577 |
| Committed to: | | | | | |
| Aid and Assistance | - | - | 4,614 | 9,729 | - |
| Economic Development | 13,935 | - | - | - | - |
| Public Safety | - | - | - | - | - |
| TOTAL FUND BALANCES | <u>\$ 13,935</u> | <u>\$ 2,234</u> | <u>\$ 4,614</u> | <u>\$ 9,729</u> | <u>\$ 3,577</u> |

(Continued)

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

For the Year Ended June 30, 2011

| | Drug Law Enforcement Plan | 911 Wireless Service Fund | Courthouse Fund | 911 Emergency Services Fund | Total Nonmajor Governmental Funds |
|---|---------------------------------|------------------------------------|--------------------|--------------------------------------|--|
| RECEIPTS | | | | | |
| Property Taxes | \$ - | \$ - | \$ 3 | \$ 34,250 | \$ 41,404 |
| Interest | - | - | - | - | 166 |
| Intergovernmental | 4,070 | 26,673 | - | - | 30,746 |
| Charges for Services | - | - | - | - | 2,900 |
| TOTAL RECEIPTS | <u>4,070</u> | <u>26,673</u> | <u>3</u> | <u>34,250</u> | <u>75,216</u> |
| DISBURSEMENTS | | | | | |
| General Government | - | - | 10,795 | - | 10,795 |
| Public Safety | 12,193 | - | - | 24,200 | 39,712 |
| Public Assistance | - | - | - | - | 10,113 |
| Culture and Recreation | - | - | - | - | 7,255 |
| TOTAL DISBURSEMENTS | <u>12,193</u> | <u>-</u> | <u>10,795</u> | <u>24,200</u> | <u>67,875</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | <u>(8,123)</u> | <u>26,673</u> | <u>(10,792)</u> | <u>10,050</u> | <u>7,341</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | 2,000 | 12,696 | 14,696 |
| Transfers out | - | (12,696) | (15) | - | (12,711) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>(12,696)</u> | <u>1,985</u> | <u>12,696</u> | <u>1,985</u> |
| Net Change in Fund Balances | (8,123) | 13,977 | (8,807) | 22,746 | 9,326 |
| FUND BALANCES - BEGINNING | <u>13,602</u> | <u>-</u> | <u>8,807</u> | <u>22,191</u> | <u>89,156</u> |
| FUND BALANCES - ENDING | <u>\$ 5,479</u> | <u>\$ 13,977</u> | <u>\$ -</u> | <u>\$ 44,937</u> | <u>\$ 98,482</u> |
| FUND BALANCES: | | | | | |
| Restricted for: | | | | | |
| Visitor Promotion | \$ - | \$ - | \$ - | \$ - | \$ 2,234 |
| 911 Emergency Services | - | 13,977 | - | 44,937 | 58,914 |
| Law Enforcement | 5,479 | - | - | - | 9,056 |
| Committed to: | | | | | |
| Aid and Assistance | - | - | - | - | 14,343 |
| Economic Development | - | - | - | - | 13,935 |
| Public Safety | - | - | - | - | - |
| TOTAL FUND BALANCES | <u>\$ 5,479</u> | <u>\$ 13,977</u> | <u>\$ -</u> | <u>\$ 44,937</u> | <u>\$ 98,482</u> |

(Concluded)

JOHNSON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------|---|
| <u>ECONOMIC DEVELOPMENT FUND</u> | | | | |
| RECEIPTS | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| TOTAL RECEIPTS | - | - | - | - |
| | | | | |
| DISBURSEMENTS | 13,935 | 13,935 | - | 13,935 |
| | | | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| | | | | |
| Net Change in Fund Balance | (13,935) | (13,935) | - | 13,935 |
| FUND BALANCE - BEGINNING | 13,935 | 13,935 | 13,935 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,935</u> | <u>\$ 13,935</u> |
| | | | | |
| <u>VISITOR PROMOTION FUND</u> | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 6,500 | \$ 6,500 | \$ 7,151 | \$ 651 |
| TOTAL RECEIPTS | 6,500 | 6,500 | 7,151 | 651 |
| | | | | |
| DISBURSEMENTS | 8,838 | 8,838 | 7,255 | 1,583 |
| | | | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| | | | | |
| Net Change in Fund Balance | (2,338) | (2,338) | (104) | 2,234 |
| FUND BALANCE - BEGINNING | 2,338 | 2,338 | 2,338 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,234</u> | <u>\$ 2,234</u> |

(Continued)

JOHNSON 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) |
|---|--------------------|-----------------|-----------------|---|
| MEDICAL RELIEF FUND | | | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ - | \$ - | \$ 3 | \$ 3 |
| TOTAL RECEIPTS | - | - | 3 | 3 |
| DISBURSEMENTS | 5,111 | 5,111 | 500 | 4,611 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| Net Change in Fund Balance | (5,111) | (5,111) | (497) | 4,614 |
| FUND BALANCE - BEGINNING | 5,111 | 5,111 | 5,111 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,614</u> | <u>\$ 4,614</u> |
| VETERANS' AID FUND | | | | |
| RECEIPTS | | | | |
| Interest | \$ - | \$ - | \$ 166 | \$ 166 |
| TOTAL RECEIPTS | - | - | 166 | 166 |
| DISBURSEMENTS | 19,176 | 19,176 | 9,613 | 9,563 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| Net Change in Fund Balance | (19,176) | (19,176) | (9,447) | 9,729 |
| FUND BALANCE - BEGINNING | 19,176 | 19,176 | 19,176 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,729</u> | <u>\$ 9,729</u> |

(Continued)

JOHNSON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|-----------------|---|
| STOP PROGRAM FUND | | | | |
| RECEIPTS | | | | |
| Charges for Services | \$ 2,000 | \$ 2,000 | \$ 2,900 | \$ 900 |
| TOTAL RECEIPTS | <u>2,000</u> | <u>2,000</u> | <u>2,900</u> | <u>900</u> |
| DISBURSEMENTS | <u>5,996</u> | <u>5,996</u> | <u>3,319</u> | <u>2,677</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (3,996) | (3,996) | (419) | 3,577 |
| FUND BALANCE - BEGINNING | 3,996 | 3,996 | 3,996 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,577</u> | <u>\$ 3,577</u> |
| DRUG LAW ENFORCEMENT PLAN | | | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ - | \$ - | \$ 4,070 | \$ 4,070 |
| Miscellaneous | - | - | - | - |
| TOTAL RECEIPTS | <u>-</u> | <u>-</u> | <u>4,070</u> | <u>4,070</u> |
| DISBURSEMENTS | <u>13,101</u> | <u>13,101</u> | <u>12,193</u> | <u>908</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (13,101) | (13,101) | (8,123) | 4,978 |
| FUND BALANCE - BEGINNING | 13,101 | 13,101 | 13,602 | 501 |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,479</u> | <u>\$ 5,479</u> |

(Continued)

JOHNSON 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) |
|---|--------------------|-----------------|------------------|---|
| 911 WIRELESS SERVICE FUND | | | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ 25,000 | \$ 25,000 | \$ 26,673 | \$ 1,673 |
| TOTAL RECEIPTS | 25,000 | 25,000 | 26,673 | 1,673 |
| DISBURSEMENTS | 25,000 | 25,000 | - | 25,000 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | (12,696) | (12,696) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | (12,696) | (12,696) |
| Net Change in Fund Balance | - | - | 13,977 | 13,977 |
| FUND BALANCE - BEGINNING | - | - | - | - |
| FUND BALANCE - ENDING | \$ - | \$ - | \$ 13,977 | \$ 13,977 |
| COURTHOUSE FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ - | \$ - | \$ 3 | \$ 3 |
| Intergovernmental | 6,800 | 6,800 | - | (6,800) |
| TOTAL RECEIPTS | 6,800 | 6,800 | 3 | (6,797) |
| DISBURSEMENTS | 19,120 | 19,120 | 10,795 | 8,325 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 3,513 | 3,513 | 2,000 | (1,513) |
| Transfers out | - | - | (15) | (15) |
| TOTAL OTHER FINANCING SOURCES (USES) | 3,513 | 3,513 | 1,985 | (1,528) |
| Net Change in Fund Balance | (8,807) | (8,807) | (8,807) | - |
| FUND BALANCE - BEGINNING | 8,807 | 8,807 | 8,807 | - |
| FUND BALANCE - ENDING | \$ - | \$ - | \$ - | \$ - |

(Continued)

JOHNSON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------|---|
| <u>911 EMERGENCY SERVICES FUND</u> | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 35,000 | \$ 35,000 | \$ 34,250 | \$ (750) |
| TOTAL RECEIPTS | <u>35,000</u> | <u>35,000</u> | <u>34,250</u> | <u>(750)</u> |
| DISBURSEMENTS | <u>57,191</u> | <u>57,191</u> | <u>24,200</u> | <u>32,991</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 12,696 | 12,696 |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>12,696</u> | <u>12,696</u> |
| Net Change in Fund Balance | (22,191) | (22,191) | 22,746 | 44,937 |
| FUND BALANCE - BEGINNING | <u>22,191</u> | <u>22,191</u> | <u>22,191</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 44,937</u> | <u>\$ 44,937</u> |
| | | | | (Concluded) |

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

| | County Clerk | Clerk of the District Court | County Sheriff | County Attorney | Highway Superintendent | Veterans' Service Officer | County Ambulance | Total |
|------------------------------|-----------------|-----------------------------------|-------------------|--------------------|---------------------------|---------------------------------|---------------------|------------------|
| BALANCE JULY 1, 2010 | \$ 5,110 | \$ 16,818 | \$ 37,127 | \$ 3,504 | \$ 5,279 | \$ 1,736 | \$ 28,789 | \$ 98,363 |
| RECEIPTS | | | | | | | | |
| Licenses and Permits | 240 | - | 400 | - | - | - | - | 640 |
| Intergovernmental | - | - | 57,100 | - | 2,401 | 7,442 | - | 66,943 |
| Charges for Services | 23,704 | 6,920 | 63,924 | 1,320 | - | - | 63,332 | 159,200 |
| Miscellaneous | 1,501 | - | 641 | 2 | 90,846 | - | - | 92,990 |
| State Fees | 27,099 | 7,083 | - | - | - | - | - | 34,182 |
| Other Liabilities | - | 51,877 | 53,414 | 18,172 | - | - | - | 123,463 |
| TOTAL RECEIPTS | <u>52,544</u> | <u>65,880</u> | <u>175,479</u> | <u>19,494</u> | <u>93,247</u> | <u>7,442</u> | <u>63,332</u> | <u>477,418</u> |
| DISBURSEMENTS | | | | | | | | |
| Payments to County Treasurer | 25,296 | 6,042 | 153,993 | 1,323 | 98,426 | - | 63,540 | 348,620 |
| Payments to State Treasurer | 25,935 | 7,278 | - | - | - | - | - | 33,213 |
| Other Liabilities | - | 63,630 | 53,530 | 20,892 | - | 8,850 | - | 146,902 |
| TOTAL DISBURSEMENTS | <u>51,231</u> | <u>76,950</u> | <u>207,523</u> | <u>22,215</u> | <u>98,426</u> | <u>8,850</u> | <u>63,540</u> | <u>528,735</u> |
| BALANCE JUNE 30, 2011 | <u>\$ 6,423</u> | <u>\$ 5,748</u> | <u>\$ 5,083</u> | <u>\$ 783</u> | <u>\$ 100</u> | <u>\$ 328</u> | <u>\$ 28,581</u> | <u>\$ 47,046</u> |
| BALANCE CONSISTS OF: | | | | | | | | |
| Due to County Treasurer | \$ 1,971 | \$ 1,436 | \$ 2,618 | \$ 3 | \$ - | \$ 328 | \$ 28,581 | \$ 34,937 |
| Petty Cash | 1,500 | - | 100 | 500 | 100 | - | - | 2,200 |
| Due to State Treasurer | 2,952 | 133 | - | - | - | - | - | 3,085 |
| Due to Others | - | 4,179 | 2,365 | 280 | - | - | - | 6,824 |
| BALANCE JUNE 30, 2011 | <u>\$ 6,423</u> | <u>\$ 5,748</u> | <u>\$ 5,083</u> | <u>\$ 783</u> | <u>\$ 100</u> | <u>\$ 328</u> | <u>\$ 28,581</u> | <u>\$ 47,046</u> |

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

| Item | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|------------------|------------------|------------------|------------------|---------------------|
| Tax Certified by Assessor | | | | | |
| Real Estate | \$ 6,757,224 | \$ 6,640,400 | \$ 6,805,611 | \$ 6,872,463 | \$ 7,365,841 |
| Personal and Specials | 598,412 | 564,297 | 590,146 | 671,916 | 690,019 |
| Total | <u>7,355,636</u> | <u>7,204,697</u> | <u>7,395,757</u> | <u>7,544,379</u> | <u>8,055,860</u> |
| Corrections | | | | | |
| Additions | 667 | 751 | 2,641 | 2,002 | 948 |
| Deductions | (1,740) | (3,012) | (449) | (1,864) | (2,763) |
| Net Additions/ (Deductions) | <u>(1,073)</u> | <u>(2,261)</u> | <u>2,192</u> | <u>138</u> | <u>(1,815)</u> |
| Corrected Certified Tax | <u>7,354,563</u> | <u>7,202,436</u> | <u>7,397,949</u> | <u>7,544,517</u> | <u>8,054,045</u> |
| Net Tax Collected by County Treasurer during Fiscal Year Ending: | | | | | |
| June 30, 2007 | 3,927,512 | - | - | - | - |
| June 30, 2008 | 3,415,580 | 3,942,586 | - | - | - |
| June 30, 2009 | 6,617 | 3,243,418 | 4,101,155 | - | - |
| June 30, 2010 | 387 | 8,061 | 3,282,387 | 4,304,960 | - |
| June 30, 2011 | 50 | 1,127 | 6,233 | 3,212,783 | 4,663,787 |
| Total Net Collections | <u>7,350,146</u> | <u>7,195,192</u> | <u>7,389,775</u> | <u>7,517,743</u> | <u>4,663,787</u> |
| Total Uncollected Tax | <u>\$ 4,417</u> | <u>\$ 7,244</u> | <u>\$ 8,174</u> | <u>\$ 26,774</u> | <u>\$ 3,390,258</u> |
| Percentage Uncollected Tax | <u>0.06%</u> | <u>0.10%</u> | <u>0.11%</u> | <u>0.35%</u> | <u>42.09%</u> |

JOHNSON 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 |
|---|------------------------|----------------------------|
| U.S. DEPARTMENT OF JUSTICE | | |
| Passed through State Commission on Law Enforcement and Criminal Justice Crime Victim Assistance | 16.575 | \$ 21,464 |
| Total U.S. Department of Justice | | <u>21,464</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | |
| Passed through Nebraska Military Department Disaster Grants - Public Assistance | 97.036 | <u>6,668</u> |
| Total U.S. Department of Homeland Security | | <u>6,668</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | |
| Passed through Nebraska Department of Health and Human Services Child Support Enforcement | 93.563 | 20,388 |
| Medical Assistance Program | 93.778 | <u>7,731</u> |
| Total U.S. Department of Health and Human Services | | <u>28,119</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | |
| Passed through Nebraska Department of Roads Highway Planning and Construction | 20.205 | 754,663 * |
| Highway Planning and Construction | ARRA 20.205 | <u>840,661 *</u> |
| Total U.S. Department of Transportation | | <u>1,595,324</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | <u><u>\$ 1,651,575</u></u> |

* Represents Major Programs

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

JOHNSON 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 Johnson 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.



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JOHNSON COUNTY
**INDEPENDENT AUDITORS' 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
Johnson County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson County as of and for the year ended June 30, 2011, and have issued our report thereon dated January 17, 2012. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Johnson County Hospital, a component unit of Johnson County. Except as noted above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Johnson 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 Johnson County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johnson 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 Johnson County in a separate letter dated January 17, 2012.

Johnson County's response to the findings identified in our audit are described above. We did not audit Johnson 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

January 17, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor



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JOHNSON 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
Johnson County, Nebraska

Compliance

We have audited Johnson 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 Johnson County's major Federal programs for the year ended June 30, 2011. Johnson 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 Johnson County's management. Our responsibility is to express an opinion on Johnson 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 Johnson 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 Johnson County's compliance with those requirements.

In our opinion, Johnson 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 Johnson 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 Johnson 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 Johnson 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.

Johnson 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 Johnson 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

January 17, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor

JOHNSON 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: **Unqualified**

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiencies identified? Yes X None Reported

Noncompliance material to financial statements noted? X Yes No

Internal control over major programs:

Material weaknesses identified? Yes X No

Significant deficiencies identified? Yes X None Reported

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133: X Yes No

Major programs: **Highway Planning and Construction, CFDA 20.205**

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee: Yes X 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.

JOHNSON 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 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 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 the 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.

JOHNSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Effect - 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 receipts in the County budget.

Management's Response - We intend to work with the Department of Roads to resolve this issue in the future.

**MANAGEMENT LETTER
OF
JOHNSON 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 February 22, 2012



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January 17, 2012

Board of Commissioners
Johnson County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Johnson County (County) for the fiscal year ended June 30, 2011, and have issued our report thereon dated January 17, 2012. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

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

COUNTY OVERALL

Segregation of Duties

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

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

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

COUNTY BOARD

Incorrect Salaries

During testing of elected officials salaries, we noted the following:

- All elected officials were shorted one pay period during calendar year 2010.
- One elected official tested was paid the incorrect salary for the first pay period in January 2011.

Neb. Rev. Stat. § 23-1114(1) (Reissue 2007) states, in part, “The salaries of all elected officers of the county shall be fixed by the county board prior to January 15 of the year in which a general election will be held...” Sound accounting practices require that the County pay salaries set by the County Board in the year the service is provided.

We recommend the County Board implement procedures to ensure the correct salary amount is paid to all elected officials in the year the service is provided.

County Board’s Response: The incorrect salaries were taken care of at the December 20, 2011 Board meeting as per the recommendation.

Payroll Withholdings

Internal Revenue Service (IRS) Publication 15 (Circular E), 2011 Employer’s Tax Guide, outlines an employer’s responsibility to withhold Federal income tax based on each employee’s W-4 form.

During testing of payroll claims, we noted:

- One individual who was paid from multiple budget functions did not have the correct amount of withholding taxes withheld per the information provided on the employee’s W-4. Federal withholding taxes were under-withheld \$27 and State withholding taxes were under-withheld \$7.
- One individual’s requested additional Federal withholding taxes did not agree to the W-4 form on file.

We recommend the County Board implement procedures to ensure Federal income taxes are withheld according to IRS Publication 15 (Circular E) and the information provided by employees on the W-4 forms.

Inventory Policy and Procedures

During our audit we noted the following:

- The County Board had not established a policy for all officers to follow when completing annual inventory statements.
- One of 17 inventory statements was not filed before August 31st as required by State statute.
- An inventory statement for the County Ambulance Department had not been filed with the County Board as of December 6, 2011.
- A printer in the custody of the Veterans' Service Officer could not be traced to the inventory statement on file.

Neb. Rev. Stat. § 23-347 (Reissue 2007) states, "Within two calendar months after the close of each fiscal year, each county officer shall make, acknowledge under oath, and file with the county board of his or her county an inventory statement of all county personal property in the custody and possession of said county officer." Good accounting procedures require standardized policies be established to ensure all offices use the same guidelines when filing an inventory statement of the personal property in the possession of the officer and that all items which are assets of the County are included on the inventory statement.

When inventory statements are not filed on time, the county officer is not in compliance with State statute. Additionally, a lack of guidance for completing the inventory statements may lead to an inaccurate accounting of the County's personal property.

We recommend all County officers file an accurate inventory statement within two calendar months after the close of the fiscal year, and that the County Board establish a policy for all officers to follow when completing inventory statements.

County Board's Response: County Clerk has talked with the Ambulance Board about their inventory and they will try to get that done. The Veterans Service Officer took care of that problem.

Claim Process

During our audit we noted one claim for \$22,077 was approved and paid from a copy of an invoice instead of the original invoice. Additionally, we were unable to determine the invoice date from the copied invoice.

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." When adequate procedures are not in place to ensure claims are correct and accurate, there is an increased risk of loss or misuse of funds.

We recommend procedures be established, including a review of original supporting documents, and followed by the County Board prior to payment to ensure claims are accurate, reasonable, and allowable. We further recommend such procedures include a requirement that claims be supported by original receipts not copies.

Backup Tapes

During review of Johnson County's information technology procedures, we noted that backup tapes are stored in the back room of the County Clerk's offices and are not periodically tested to ensure data is recoverable.

A sound data recovery plan includes procedures related to the timely testing and secure storage of backup tapes to ensure the County's ability to restore data in the event of any type of short or long-term system disruption. Such a plan should apply to all equipment and data used by an entity.

When backup tapes are not securely stored and routinely tested, the County is at an increased risk of data loss which could not be recovered in the event of an equipment failure, intentional destruction of data, or disaster.

We strongly recommend the County develop a master application test plan so that all critical computer backups are tested on a routine, ongoing basis. We further recommend that all backup tapes be stored in a fireproof safe and, if possible, in an off-site location.

County Board's Response: County Clerk moved the tapes to her vault and has contacted MIPS about testing, no word from MIPS as of yet on how we can test the tapes.

Publishing of Board Minutes

Neb. Rev. Stat. § 23-122 (Reissue 2007) requires the County Board to publish a brief statement of the proceedings within ten working days after the close of the meeting.

During our audit, we noted all five County Board meetings tested were not published within ten working days after the close of the meeting. Documentation was not on file to support that one of these five meetings was published at all. This results in the public not being made aware of proceedings in the time prescribed by statute.

We recommend the County Board ensure proceedings are published within ten working days of the close of the meeting.

COUNTY SHERIFF

Accounting Procedures

During our audit we noted the following:

- The County Sheriff did not remit fees earned to the County Treasurer on a quarterly basis as required by State statute.
- The County Sheriff could not provide supporting documentation for accounts payable, totaling \$2,365, as of June 30, 2011.
- Two checks on hand during a cash count were not receipted or restrictively endorsed.

Per Neb. Rev. Stat. § 33-117 (Reissue 2008) the County Sheriff is required to remit all fees earned to the County Treasurer on a quarterly basis as well as make a report to the County Board of all fees earned and collected. Sound accounting practices and good internal controls require procedures be in place to ensure all assets and liabilities are properly accounted for and records are adequately maintained to support all accounting transactions.

We recommend the County Sheriff implement procedures to ensure fees earned are properly remitted to the County Treasurer each month. Additionally, procedures should be put in place to adequately control and record all money received. We further recommend the County Sheriff receipt and restrictively endorse all checks immediately upon receipt.

Unclaimed Property

During our audit, we noted 12 outstanding checks in the Sheriff's bank accounts for a total of \$164 were voided but were never reported to the State Treasurer as Unclaimed Property.

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009) requires that personal property held by public entities or political subdivisions which remain unclaimed for more than three years is presumed abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009) requires such items be reported to the State Treasurer before November 1st of each year as of June 30 next proceeding.

We recommend all personal property which remains unclaimed for more than three years be remitted to the State Treasurer in accordance with the Unclaimed Property Act.

COUNTY AMBULANCE

Accounts Receivable

During review of the receivables maintained by the County Ambulance Department, we noted the following:

- The computer program used to track the receivable information could not generate a report for a certain date in time, therefore we were unable to obtain a detailed listing of accounts receivable at June 30, 2011.
- The listing available at the time of the audit noted accounts receivable totaling \$3,920 which were from 2006 or earlier.

Good internal controls and sound accounting practices require that all accounts receivable balances be current and supported. When balances are not current or supported there is an increased risk they will not be properly collected.

We recommend the County Ambulance Department run a detailed accounts receivable report at each fiscal year end to support the balance. Additionally, non-current accounts receivable balances should be reviewed and presented to the County Board to be written off as necessary.

Ambulance Fees

During review of the fees charged for services by the County Ambulance Department we noted that there is no documentation of the approval of these fees by either the County Board or the Hospital Board. Additionally, there was no contract on file to support the 15% commission on fees charged which is remitted to the County Hospital.

Sound accounting practices require that all charges for services be documented and approved to ensure they are consistently and accurately charged.

We recommend the County Board ensure all fees charged, including the 15% commission remitted to the County Hospital, are documented and approved.

COUNTY ATTORNEY

Receipts Not Written

The County Attorney does not have procedures in place to write receipts for all money received. For one of three case files tested, money received could not be traced to a written receipt.

Neb. Rev. Stat. § 23-1207(1) (Reissue 2007) states, “It shall be the duty of the county attorney, whenever he or she shall receive any money or other property in his or her official capacity, to give to the person paying or depositing such money or other property duplicate receipts, one of which shall be filed by such person with the County Clerk.”

We recommend the County Attorney implement procedures to ensure that all money received is recorded by issuance of a receipt.

County Attorney's Response: We have started writing receipts for everything, even when we receive it in the mail. We had always accounted for all money received and paid in two ways: 1. in our ledger and 2. by running it through our trust account to be included on bank statements. Now, due to the recommendation in the audit, everything will be accounted for in a 3rd manner: in our receipt book.

COUNTY ASSESSOR

Improper Tax District

During testing of personal property taxes, we noted one personal property schedule which was not listed and assessed in the correct tax district for the location of the taxable tangible personal property.

Neb. Rev. Stat § 77-1202 (Reissue 2009) states: "Taxable tangible personal property shall be listed and assessed where it has acquired tax situs as defined in section 77-125." Neb. Rev. Stat. § 77-125 (Reissue 2009) defines tax situs as the tax district where the taxable tangible personal property is located for fifty percent or more of the calendar year.

When taxable tangible personal property is not listed in the correct tax district, taxes are not properly collected or distributed to the correct subdivisions.

We recommend the County Assessor implement procedures to ensure all tangible personal property is listed and assessed in the correct tax district as required by State statute.

CLERK OF THE DISTRICT COURT

Monthly Report Review

During testing of the June 30, 2011, case balances, we noted 192 trust fund balances, 101 of those balances were for cases prior to 2009 where only the complete record fee of \$15 remained. The complete record fee can be applied once the case file has been scanned for retention purposes.

Good internal control requires the Clerk of the District Court have procedures in place which provide ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report and the Report of Non-Case Receipts to address and/or resolve balances in a timely manner. When monies coming into the possession of the Clerk of the District Court are not disbursed and/or otherwise resolved in a timely manner, there is an increased risk of loss, theft, or misuse of those funds.

We recommend all monies received by the Clerk of the District Court be disbursed and/or otherwise resolved in a timely manner.

County Clerk of the District Court's Response: We have contacted a vendor to microfilm all court cases that have complete record fees and we will remit those fees to the County Treasurer at the end of January.

* * * * *

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