

**AUDIT REPORT
OF
BANNER COUNTY**

JULY 1, 2012 THROUGH JUNE 30, 2013

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the Auditor of Public Accounts**

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Issued on April 29, 2014

BANNER COUNTY

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BANNER COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Gifford	Board of Commissioners	Jan. 2017
John Robert Faden		Jan. 2015
Robert Post		Jan. 2015
Sharon Sandberg	Assessor	Jan. 2015
James Zimmerman	Attorney	Jan. 2015
Lori Hostetler	Clerk Clerk of the District Court Election Commissioner Register of Deeds	Jan. 2015
Stanley McKnight	Sheriff	Jan. 2015
Monty Stoddard	Treasurer	Jan. 2015
John Brehm	Veterans' Service Officer	Appointed
Richard McGowan	Weed Superintendent	Appointed
Tom Neal	Highway Superintendent	Appointed



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BANNER COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Banner County, Nebraska

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Banner County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, [schedule of expenditures of Federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*,] and schedule of taxes certified and collected, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, [schedule of expenditures of Federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*,] and schedule of taxes certified and collected, Pages 19-26, is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2014, on our consideration of Banner County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering Banner County's internal control over financial reporting and compliance.

April 17, 2014


Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 615,942
TOTAL ASSETS	\$ 615,942
 NET POSITION	
Restricted for:	
Law Enforcement	1,510
Preservation of Records	810
Unrestricted	613,622
TOTAL NET POSITION	\$ 615,942

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

BANNER COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2013

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (569,263)	\$ 56,954	\$ 3,448	\$ (508,861)
Public Safety	(114,165)	3,327	-	(110,838)
Public Works	(860,628)	3,020	352,064	(505,544)
Health and Sanitation	(3,702)	-	-	(3,702)
Public Assistance	(1,595)	-	-	(1,595)
Culture and Recreation	(14,015)	-	-	(14,015)
Total Governmental Activities	\$ (1,563,368)	\$ 63,301	\$ 355,512	(1,144,555)

General Receipts:

Property Taxes	980,288
Grants and Contributions Not Restricted to Specific Programs	46,930
Investment Income	5,790
Licenses and Permits	5,477
Miscellaneous	17,400
Total General Receipts	1,055,885
Increase in Net Position	(88,670)
Net Position - Beginning of year	704,612
Net Position - End of year	\$ 615,942

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

BANNER COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Road Fund	Inheritance Fund	Equipment Sinking Fund	Bridge - WG Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents (Note 1.D)	\$ 85,598	\$ 102,506	\$ 302,111	\$ 79,904	\$ 21,038	\$ 24,785	\$ 615,942
TOTAL ASSETS	<u>\$ 85,598</u>	<u>\$ 102,506</u>	<u>\$ 302,111</u>	<u>\$ 79,904</u>	<u>\$ 21,038</u>	<u>\$ 24,785</u>	<u>\$ 615,942</u>
FUND BALANCES							
Restricted for:							
Law Enforcement	-	-	-	-	-	1,510	1,510
Preservation of Records	-	-	-	-	-	810	810
Committed to:							
Road Maintenance	-	102,506	-	79,904	21,038	-	203,448
Culture and Recreation	-	-	-	-	-	22,465	22,465
Assigned to:							
Other Purposes	-	-	302,111	-	-	-	302,111
Unassigned	85,598	-	-	-	-	-	85,598
TOTAL CASH BASIS							
FUND BALANCES	<u>\$ 85,598</u>	<u>\$ 102,506</u>	<u>\$ 302,111</u>	<u>\$ 79,904</u>	<u>\$ 21,038</u>	<u>\$ 24,785</u>	<u>\$ 615,942</u>

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

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

For the Year Ended June 30, 2013

	General Fund	Road Fund	Inheritance Fund	Equipment Sinking Fund	Bridge - WG Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS							
Property Taxes	\$ 624,154	\$ 317,499	\$ 28,396	\$ 156	\$ -	\$ 10,083	\$ 980,288
Licenses and Permits	5,427	50	-	-	-	-	5,477
Interest	5,790	-	-	-	-	-	5,790
Intergovernmental	34,026	367,892	-	-	-	524	402,442
Charges for Services	59,361	3,020	-	-	-	920	63,301
Miscellaneous	10,596	6,804	-	-	-	-	17,400
TOTAL RECEIPTS	<u>739,354</u>	<u>695,265</u>	<u>28,396</u>	<u>156</u>	<u>-</u>	<u>11,527</u>	<u>1,474,698</u>
DISBURSEMENTS							
General Government	565,280	-	3,873	-	-	110	569,263
Public Safety	114,165	-	-	-	-	-	114,165
Public Works	28,999	652,732	-	-	178,897	-	860,628
Health and Sanitation	3,702	-	-	-	-	-	3,702
Public Assistance	1,595	-	-	-	-	-	1,595
Culture and Recreation	-	-	-	-	-	14,015	14,015
TOTAL DISBURSEMENTS	<u>713,741</u>	<u>652,732</u>	<u>3,873</u>	<u>-</u>	<u>178,897</u>	<u>14,125</u>	<u>1,563,368</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>25,613</u>	<u>42,533</u>	<u>24,523</u>	<u>156</u>	<u>(178,897)</u>	<u>(2,598)</u>	<u>(88,670)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	21,000	-	-	-	2,405	1,360	24,765
Transfers out	(3,765)	-	(21,000)	-	-	-	(24,765)
TOTAL OTHER FINANCING SOURCES (USES)	<u>17,235</u>	<u>-</u>	<u>(21,000)</u>	<u>-</u>	<u>2,405</u>	<u>1,360</u>	<u>-</u>
Net Change in Fund Balances	42,848	42,533	3,523	156	(176,492)	(1,238)	(88,670)
CASH BASIS FUND BALANCES - BEGINNING	<u>42,750</u>	<u>59,973</u>	<u>298,588</u>	<u>79,748</u>	<u>197,530</u>	<u>26,023</u>	<u>704,612</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 85,598</u>	<u>\$ 102,506</u>	<u>\$ 302,111</u>	<u>\$ 79,904</u>	<u>\$ 21,038</u>	<u>\$ 24,785</u>	<u>\$ 615,942</u>

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

BANNER COUNTY
**STATEMENT OF FIDUCIARY ASSETS AND
 LIABILITIES - CASH BASIS
 FIDUCIARY FUNDS**
 June 30, 2013

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 77,384
 LIABILITIES	
Due to Other Governments	
State	16,735
Schools	50,334
Educational Service Units	714
Technical College	4,533
Natural Resource Districts	2,198
Fire Districts	829
Cemetary Districts	1,898
Others	143
TOTAL LIABILITIES	77,384
 TOTAL NET ASSETS	 \$ -

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

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

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

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the County (the primary government). No component units were identified.

Joint Organization.

Behavioral Health Region I - The County has entered into an agreement with surrounding counties and the Nebraska Department of Health and Human Services to provide services to carry out the provisions of the Nebraska Behavioral Health Services Act (Act). Agreements were established under the authority of the Interlocal Cooperation Act for services to be provided under the Act. Region I (Region) consists of the following counties: Sioux, Dawes, Box Butte, Sheridan, Scotts Bluff, Morrill, Garden, Banner, Kimball, Cheyenne and Deuel.

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$4,495 toward the operation of the Region during fiscal year 2013. In the event of the termination of the agreement, assets would be disposed of in accordance

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 the Panhandle Public Health District (District) to provide public health services. The agreement was established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2009, Cum. Supp. 2012).

The District'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 District during fiscal year 2013. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The District is audited in accordance with Neb. Rev. Stat. § 84-304(4) (Cum. Supp. 2012). Financial information for the District is available in that report.

B. Basis of Presentation

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

The Statement of Activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The County uses only the governmental and fiduciary fund categories. The County Board is the highest level of

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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, which are primarily funded by State tax receipts.

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

Equipment Sinking Fund. This fund is used to account for property tax receipts and costs associated with the purchase of road equipment.

Bridge –WG Fund. This fund is used to account for costs specific to a particular bridge project, Wright's Gap.

The County reports the following additional non-major governmental fund types:

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

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

The County designates fund balances as:

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.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

C. Measurement Focus, Basis of Accounting

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

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

D. Assets and Net Position

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

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

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$2,320 of restricted net position, which is all restricted by enabling legislation.

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

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

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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.

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 \$615,942 for County funds and \$77,384 for Fiduciary funds. The bank balances for all funds totaled \$674,572. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2013, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

3. Property Taxes

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

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

The levy set in October 2012, for the 2012 taxes, which will be materially collected in May and September 2013, was set at \$.476757/\$100 of assessed valuation. The levy set in October 2011, for the 2011 taxes, which were materially collected in May and September 2012, was set at \$.439019/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

4. Retirement System

The Retirement System for Nebraska Counties (the Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2334 (Reissue 2012, Supp. 2013) and may be amended through legislative action.

Participation in the Plan is required of all full-time employees. Part-time (working less than one-half of the regularly scheduled hours) employees may elect voluntary participation upon reaching age 18. Part-time elected officials may exercise the option to join.

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

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

For the year ended June 30, 2013, 20 employees contributed \$20,456, and the County contributed \$30,500. Contributions included \$371 in cash contributions towards the supplemental law enforcement plan for one law enforcement employees.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5. **Risk Management**

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 79 counties throughout Nebraska.

The County pays an annual deposit premium, as calculated by the administrator of the pool. The premium is based on the losses and exposures of each county and the entire pool. If the pool becomes insolvent or otherwise unable to discharge its legal liabilities and obligations, the County may be assessed by the Board for an additional contribution equal to its contribution for the current fiscal year, divided by the contribution of all participants for such year, times the amount of such deficiency. Each such assessment, and the manner of calculating the same, is sent to each county in writing, and each county has 60 days in which to pay the amount of such assessment. Each county remains liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, as well as for liabilities of the Pool incurred during such county's period of membership.

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

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

The County has not paid any additional assessments to the pool in the last three fiscal years, and no assessments are anticipated for fiscal year 2014. The County has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Interfund Transfers

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

Transfers to	General Fund	Inheritance Fund	Total
Bridge WG Fund	\$ 2,405	\$	\$ 2,405
General Fund		21,000	21,000
Nonmajor Funds	1,360		1,360
Total	\$ 3,765	\$ 21,000	\$ 24,765

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

7. Capital Leases Payable

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

	Caterpillar Motorgrader	Ford F250 Truck	Total
Balance July 1, 2012	\$ 97,923	\$ 29,878	\$ 127,801
Purchases			
Payments	27,647	9,714	37,361
Balance June 30, 2013	<u>\$ 70,276</u>	<u>\$ 20,164</u>	<u>\$ 90,440</u>
Future Payments:			
Year			<u>Total</u>
2014	\$ 30,165	\$ 10,425	\$ 40,590
2015	30,165	10,390	40,555
2016	12,569		12,569
Total Payments	72,899	20,815	93,714
Less Interest	2,623	651	3,274
Present Value of Future Minimum Lease Payments	<u>\$ 70,276</u>	<u>\$ 20,164</u>	<u>\$ 90,440</u>
Carrying Value of the Related Fixed Asset	<u>\$ 140,000</u>	<u>\$ 29,800</u>	<u>\$ 169,800</u>

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 664,295	\$ 664,295	\$ 624,154	\$ (40,141)
Licenses and Permits	4,575	4,575	5,427	852
Interest	9,200	9,200	5,790	(3,410)
Intergovernmental	13,100	13,100	34,026	20,926
Charges for Services	46,570	46,570	59,361	12,791
Miscellaneous	4,515	4,515	10,596	6,081
TOTAL RECEIPTS	<u>742,255</u>	<u>742,255</u>	<u>739,354</u>	<u>(2,901)</u>
DISBURSEMENTS				
General Government:				
County Board	25,850	25,850	25,585	265
County Clerk	49,040	49,040	46,669	2,371
County Treasurer	54,210	54,210	53,221	989
County Assessor	60,180	60,180	57,021	3,159
Election Commissioner	9,590	9,590	8,002	1,588
Clerk of the District Court	4,640	4,640	4,467	173
County Court System	1,500	1,500	662	838
Building and Grounds	51,900	51,900	41,050	10,850
Agricultural Extension Agent	20,430	20,430	20,073	357
Miscellaneous	344,525	344,525	308,530	35,995
Public Safety				
County Sheriff	77,360	77,360	64,475	12,885
County Attorney	39,620	39,620	34,741	4,879
Emergency Management	5,000	5,000	4,200	800
Predatory Animals	8,250	8,250	6,549	1,701
Miscellaneous	15,500	15,500	4,200	11,300
Public Works				
Noxious Weed Control	44,300	44,300	28,999	15,301
Public Health				
Miscellaneous	9,360	9,360	3,702	5,658
Public Assistance				
Veterans' Service Officer	500	500	500	-
Miscellaneous	250	250	1,095	(845)
TOTAL DISBURSEMENTS	<u>822,005</u>	<u>822,005</u>	<u>713,741</u>	<u>108,264</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(79,750)</u>	<u>(79,750)</u>	<u>25,613</u>	<u>105,363</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	112,000	112,000	21,000	(91,000)
Transfers out	-	-	(3,765)	3,765
TOTAL OTHER FINANCING SOURCES (USES)	<u>112,000</u>	<u>112,000</u>	<u>17,235</u>	<u>(87,235)</u>
Net Change in Fund Balance	32,250	32,250	42,848	10,598
FUND BALANCE - BEGINNING	<u>42,750</u>	<u>42,750</u>	<u>42,750</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 85,598</u>	<u>\$ 10,598</u>

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Taxes	\$ 349,360	\$ 349,360	\$ 317,499	\$ (31,861)
Licenses and Permits	-	-	50	50
Intergovernmental	307,280	307,280	367,892	60,612
Charges for Services	12,400	12,400	3,020	(9,380)
Miscellaneous	4,307	4,307	6,804	2,497
TOTAL RECEIPTS	673,347	673,347	695,265	21,918
DISBURSEMENTS	754,320	754,320	652,732	101,588
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(80,973)	(80,973)	42,533	123,506
OTHER FINANCING SOURCES (USES)				
Transfers in	83,000	83,000	-	(83,000)
Transfers out	(12,000)	(12,000)	-	12,000
TOTAL OTHER FINANCING SOURCES (USES)	71,000	71,000	-	(71,000)
Net Change in Fund Balance	(9,973)	(9,973)	42,533	52,506
FUND BALANCE - BEGINNING	59,973	59,973	59,973	-
FUND BALANCE - ENDING	\$ 50,000	\$ 50,000	\$ 102,506	\$ 52,506
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 6,412	\$ 6,412	\$ 28,396	\$ 21,984
TOTAL RECEIPTS	6,412	6,412	28,396	21,984
DISBURSEMENTS	-	-	3,873	(3,873)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	6,412	6,412	24,523	18,111
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(183,000)	(183,000)	(21,000)	162,000
TOTAL OTHER FINANCING SOURCES (USES)	(183,000)	(183,000)	(21,000)	162,000
Net Change in Fund Balance	(176,588)	(176,588)	3,523	180,111
FUND BALANCE - BEGINNING	298,588	298,588	298,588	-
FUND BALANCE - ENDING	\$ 122,000	\$ 122,000	\$ 302,111	\$ 180,111

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EQUIPMENT SINKING FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 156	\$ 156
Miscellaneous	2	2	-	(2)
TOTAL RECEIPTS	<u>2</u>	<u>2</u>	<u>156</u>	<u>154</u>
DISBURSEMENTS	<u>79,750</u>	<u>79,750</u>	<u>-</u>	<u>79,750</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(79,748)</u>	<u>(79,748)</u>	<u>156</u>	<u>79,904</u>
Net Change in Fund Balance	(79,748)	(79,748)	156	79,904
FUND BALANCE - BEGINNING	79,748	79,748	79,748	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,904</u>	<u>\$ 79,904</u>
BRIDGE - WG FUND				
RECEIPTS				
	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	<u>197,530</u>	<u>197,530</u>	<u>178,897</u>	<u>18,633</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(197,530)</u>	<u>(197,530)</u>	<u>(178,897)</u>	<u>18,633</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,405	2,405
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>2,405</u>	<u>2,405</u>
Net Change in Fund Balance	(197,530)	(197,530)	(176,492)	21,038
FUND BALANCE - BEGINNING	197,530	197,530	197,530	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,038</u>	<u>\$ 21,038</u>

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COUNTY FAIR OPERATING FUND				
RECEIPTS	\$ 4,783	\$ 4,783	\$ 2,617	\$ (2,166)
DISBURSEMENTS	6,300	6,300	4,560	1,740
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,360	1,360
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	1,360	1,360
Net Change in Fund Balance	(1,517)	(1,517)	(583)	934
FUND BALANCE - BEGINNING	3,077	3,077	3,077	-
FUND BALANCE - ENDING	<u>\$ 1,560</u>	<u>\$ 1,560</u>	<u>\$ 2,494</u>	<u>\$ 934</u>
PRESERVATION AND MODERNIZATION FUND				
RECEIPTS	\$ 500	\$ 500	\$ 920	\$ 420
DISBURSEMENTS	500	500	110	390
Net Change in Fund Balance	-	-	810	810
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 810</u>	<u>\$ 810</u>
DRUG LAW ENFORCEMENT AND EDUCATION FUND				
RECEIPTS	\$ 8,490	\$ 8,490	\$ -	\$ (8,490)
DISBURSEMENTS	10,000	10,000	-	10,000
Net Change in Fund Balance	(1,510)	(1,510)	-	1,510
FUND BALANCE - BEGINNING	1,510	1,510	1,510	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,510</u>	<u>\$ 1,510</u>

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

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
MUSEUM BOARD FUND				
RECEIPTS	\$ 6,670	\$ 6,670	\$ 7,990	\$ 1,320
DISBURSEMENTS	10,000	10,000	9,455	545
Net Change in Fund Balance	(3,330)	(3,330)	(1,465)	1,865
FUND BALANCE - BEGINNING	21,436	21,436	21,436	-
FUND BALANCE - ENDING	<u>\$ 18,106</u>	<u>\$ 18,106</u>	<u>\$ 19,971</u>	<u>\$ 1,865</u>

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

	County Fair Operating Fund	Preservation and Modernization Fund	Drug Law Enforcement and	Museum Board Fund	Total Nonmajor Governmental Funds
RECEIPTS					
Property Taxes	\$ 2,401	\$ -	\$ -	\$ 7,682	\$ 10,083
Intergovernmental	216	-	-	308	524
Charges for Services	-	920	-	-	920
TOTAL RECEIPTS	<u>2,617</u>	<u>920</u>	<u>-</u>	<u>7,990</u>	<u>11,527</u>
DISBURSEMENTS					
General Government	-	110	-	-	110
Culture and Recreation	4,560	-	-	9,455	14,015
TOTAL DISBURSEMENTS	<u>4,560</u>	<u>110</u>	<u>-</u>	<u>9,455</u>	<u>14,125</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,943)</u>	<u>810</u>	<u>-</u>	<u>(1,465)</u>	<u>(2,598)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,360	-	-	-	1,360
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,360</u>
Net Change in Fund Balances	(583)	810	-	(1,465)	(1,238)
FUND BALANCES - BEGINNING	<u>3,077</u>	<u>-</u>	<u>1,510</u>	<u>21,436</u>	<u>26,023</u>
FUND BALANCES - ENDING	<u>\$ 2,494</u>	<u>\$ 810</u>	<u>\$ 1,510</u>	<u>\$ 19,971</u>	<u>\$ 24,785</u>
FUND BALANCES:					
Restricted for:					
Law Enforcement	-	-	1,510	-	1,510
Preservation of Records	-	810	-	-	810
Committed to:					
Culture and Recreation	2,494	-	-	19,971	22,465
TOTAL FUND BALANCES	<u>\$ 2,494</u>	<u>\$ 810</u>	<u>\$ 1,510</u>	<u>\$ 19,971</u>	<u>\$ 24,785</u>

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

	County Clerk	Clerk of the District Court	County Sheriff	Highway Superintendent	Museum	Fair	Total
BALANCES JULY 1, 2012	\$ 3,230	\$ 3,962	\$ 755	\$ 593	\$ 18,106	\$ 2,920	\$ 29,566
RECEIPTS							
Licenses and Permits	-	-	1,325	-	-	-	1,325
Charges for Services	28,310	900	1,477	-	-	-	30,687
Miscellaneous	-	-	-	-	10,000	4,560	14,560
State Fees	8,493	2,608	-	-	-	-	11,101
Other Liabilities	-	3,300	692	-	-	-	3,992
TOTAL RECEIPTS	36,803	6,808	3,494	-	10,000	4,560	61,665
DISBURSEMENTS							
Payments to County Treasurer	28,112	1,050	3,237	593	-	-	32,992
Payments to State Treasurer	3,686	2,579	-	-	-	-	6,265
Other Liabilities	-	5,139	692	-	9,455	4,157	19,443
TOTAL DISBURSEMENTS	31,798	8,768	3,929	593	9,455	4,157	58,700
BALANCES JUNE 30, 2013	<u>\$ 8,235</u>	<u>\$ 2,002</u>	<u>\$ 320</u>	<u>\$ -</u>	<u>\$ 18,651</u>	<u>\$ 3,323</u>	<u>\$ 32,531</u>
BALANCES CONSIST OF:							
Due to County Treasurer	\$ 3,093	\$ 568	\$ 320	\$ -	\$ 18,651	\$ 3,323	\$ 25,955
Petty Cash	50	-	-	-	-	-	50
Due to State Treasurer	5,092	414	-	-	-	-	5,506
Due to Others	-	1,020	-	-	-	-	1,020
BALANCES JUNE 30, 2013	<u>\$ 8,235</u>	<u>\$ 2,002</u>	<u>\$ 320</u>	<u>\$ -</u>	<u>\$ 18,651</u>	<u>\$ 3,323</u>	<u>\$ 32,531</u>

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

Item	2008	2009	2010	2011	2012
Tax Certified by Assessor					
Real Estate	\$ 2,175,373	\$ 2,195,749	\$ 2,416,030	\$ 2,839,895	\$ 2,999,225
Personal and Specials	170,897	200,182	214,405	206,479	176,099
Total	<u>2,346,270</u>	<u>2,395,931</u>	<u>2,630,435</u>	<u>3,046,374</u>	<u>3,175,324</u>
Corrections					
Additions	1,805	-	377	64	-
Deductions	(1,455)	-	(639)	(954)	(567)
Net Additions/ (Deductions)	<u>350</u>	<u>-</u>	<u>(262)</u>	<u>(890)</u>	<u>(567)</u>
Corrected Certified Tax	<u>2,346,620</u>	<u>2,395,931</u>	<u>2,630,173</u>	<u>3,045,484</u>	<u>3,174,757</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2009	1,508,555	-	-	-	-
June 30, 2010	823,638	1,480,956	-	-	-
June 30, 2011	568	907,154	1,723,869	-	-
June 30, 2012	1,031	1,199	905,681	1,848,149	-
June 30, 2013	2,036	6,549	623	1,183,882	1,934,183
Total Net Collections	<u>2,335,828</u>	<u>2,395,858</u>	<u>2,630,173</u>	<u>3,032,031</u>	<u>1,934,183</u>
Total Uncollected Tax	<u>\$ 10,792</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ 13,453</u>	<u>\$ 1,240,574</u>
Percentage Uncollected Tax	<u>0.46%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.44%</u>	<u>39.08%</u>



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BANNER COUNTY

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Banner County, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Banner County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Banner County's basic financial statements, and have issued our report thereon dated April 17, 2014. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Banner County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Banner County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

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

Compliance and Other Matters

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

Additional Items

We also noted certain matters that we reported to management of Banner County in a separate letter dated April 17, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

April 17, 2014


Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska



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April 17, 2014

Board of Commissioners
Banner County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Banner County (County) for the fiscal year ended June 30, 2013, and have issued our report thereon dated April 17, 2014. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

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

COUNTY OVERALL

Segregation of Duties

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

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

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

COUNTY TREASURER

Documentation for Refunds

During our audit, we noted the County Treasurer did not maintain documentation to support the amount refunded to taxpayers. A recalculation of the amount refunded could not be produced at the time of the audit for 1 of the 10 checks tested.

Good internal control requires maintaining documentation on file to support all disbursement amounts. When records are not maintained for all transactions, there is an increased risk of loss, error, or misuse of funds.

We recommend the County Treasurer maintain documentation to support the amount of all disbursements.

CLERK OF THE DISTRICT COURT

Monthly Report Review

Good internal control requires the Clerk of the District Court to have procedures in place that provide an ongoing, detailed review of all monthly financial reports, including the Monthly Case Balance Report.

During testing of 21 case balances for June 30, 2013, we noted 5 case balances, totaling \$123, that did not have timely dispositions. Three of the cases had been closed for over four years.

We recommend the Clerk of the District Court review all month-end case balances to determine if procedures need to be completed to properly disburse remaining funds.

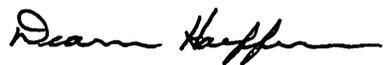
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It should be noted this report is critical in nature, as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the County.

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

This report is intended solely for the information and use of the County, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and it is not intended to be and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, appearing to read "Deann Haeffner". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Deann Haeffner
Assistant Deputy Auditor