

**AUDIT REPORT
OF
HOWARD COUNTY**

JULY 1, 2003 THROUGH JUNE 30, 2004

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Issued on December 14, 2004

HOWARD COUNTY

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HOWARD COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2004

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------|--|---------------------|
| Bill Sack | Board of Commissioners | Jan. 2007 |
| James Watson | | Jan. 2007 |
| Philip Bader | | Jan. 2007 |
| Marvin Caspersen | | Jan. 2005 |
| Gary Rasmussen | | Jan. 2005 |
| Neal Dethlefs | Assessor | Jan. 2007 |
| Karin Noakes | Attorney | Appointed |
| Marge Palmberg | Clerk Clerk of the District Court Election Commissioner Register of Deeds | Jan. 2007 |
| Troy Kaiser | Sheriff | Jan. 2007 |
| Connie Nickel | Treasurer | Jan. 2007 |
| Donald Shuda | Veterans Service Officer | Appointed |
| Dan Fredrick | Weed Superintendent | Appointed |
| Ron Vonderohe | Planning and Zoning | Appointed |

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HOWARD COUNTY

INDEPENDENT AUDITORS' REPORT

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Tim Channer, CPA
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Mary Avery
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Dennis Meyer, CGFM
Subdivision Budget
Coordinator
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Mark Avery, CPA
Subdivision Audit
Review Coordinator
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We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howard County, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements 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 Howard 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 Howard County as of June 30, 2004, 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 Howard County, as of June 30, 2004, 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 October 26, 2004, on our consideration of Howard County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have 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.

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. 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.



Deputy State Auditor

October 26, 2004

HOWARD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Howard County's financial report presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2004. Please read it in conjunction with the County's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Howard County's basic financial statements. The County's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information in addition to the basic financial statements.

Government-Wide Financial Statements. The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis provide a broad overview of the County's overall financial status. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. The County's financial statements are prepared on the cash basis of accounting and do not include capital assets, accounts receivable, accounts payable, or long-term debt activity, which would need to be considered to assess the financial health of the County. Non-financial factors also need to be considered to assess the overall financial health of the County. Government-wide financial statements divide the County into two kinds of activities:

Governmental activities - The County's basic services are included here. These activities are generally financed through taxes, charges for services, and State and Federal grants/contributions.

Component units - The County report does not include the financial activity of the Howard County Hospital, a separate legal entity. Although legally separate, the County is financially accountable for the "component unit." Complete financial statements of the Hospital can be obtained from the Hospital's administrative office.

Fund Financial Statements. Fund financial statements focus on the individual parts of the County, reporting the County's operations in more detail than the government-wide statements by providing information about the County's most significant "major" funds. Funds are accounting devices used to keep track of specific sources of funding and spending for particular purposes.

The governmental funds statements tell how general governmental activities were financed in the short term as well as what remains for future spending.

Fiduciary funds statements provide information about financial relationships in which the County acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not included on the government-wide statements.

HOWARD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Notes to the Financial Statements. The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide essential information necessary for fair presentation of the financial statements.

Supplementary Information. This Management's Discussion and Analysis and the budgetary comparison schedules represent financial information which provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes. This report also includes optional financial information such as combining statements for nonmajor funds (which are shown in the fund financial statements in a single column), budgetary comparison information for nonmajor funds, a schedule of office activities, and a schedule of taxes certified and collected for political subdivisions in the County. This information is provided to address certain specific needs of various users of the report.

BASIS OF ACCOUNTING

The County's financial statements are presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities. Under the cash basis of accounting, receipts and disbursements and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Also, capital assets (land, buildings, furniture, equipment, and infrastructure) and the related depreciation are not recorded. Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

| | Governmental Activities |
|------------------|----------------------------|
| | <u>2004</u> |
| Restricted | \$ 98,625 |
| Unrestricted | 1,697,316 |
| Total Net Assets | <u>\$ 1,795,941</u> |

HOWARD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Governmental Activities

CHANGES IN NET ASSETS

| | <u>2004</u> |
|---------------------------------------|-------------------------|
| RECEIPTS: | |
| Program Receipts: | |
| Charges for Services | \$ 215,455 |
| Operating Grants & Contributions | 965,989 |
| General Receipts: | |
| Taxes | 1,574,053 |
| Non-restricted Grants & Contributions | 75,573 |
| Investment Interest | 48,327 |
| Other | 127,140 |
| Total Receipts | <u>3,006,537</u> |
| DISBURSEMENTS: | |
| General Government | 1,357,213 |
| Public Safety | 703,541 |
| Public Works | 1,079,308 |
| Health and Sanitation | 25,953 |
| Public Assistance | 30,602 |
| Culture and Recreation | 4,125 |
| Total Disbursements | <u>3,200,742</u> |
| Increase (Decrease) in Net Assets | (194,205) |
| Beginning Net Assets July 1 | <u>1,990,146</u> |
| Ending Net Assets June 30 | <u><u>1,795,941</u></u> |

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

No significant differences were noted between the original and final budget amounts, or between final budget amounts and actual budget results for the General Fund.

HOWARD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

As noted earlier, the financial statements are presented on the cash basis of accounting and therefore do not include capital assets or long-term debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No conditions were noted that would be expected to have a significant effect on the financial position or results of operations of the County.

HOWARD COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
 June 30, 2004

| | <u>Governmental Activities</u> |
|--------------------------------------|------------------------------------|
| ASSETS | |
| Cash and cash equivalents (Note 1.D) | \$ 1,667,628 |
| Investments (Note 1.D) | <u>128,313</u> |
| TOTAL ASSETS | <u><u>\$ 1,795,941</u></u> |
| NET ASSETS | |
| Restricted for: | |
| Emergency 911 Fund | 92,217 |
| Other Purposes | 6,408 |
| Unrestricted | <u>1,697,316</u> |
| TOTAL NET ASSETS | <u><u>\$ 1,795,941</u></u> |

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

HOWARD COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2004

| 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 | \$ (1,357,213) | \$ 142,351 | \$ 20,638 | \$ (1,194,224) |
| Public Safety | (703,541) | 73,104 | 94,472 | (535,965) |
| Public Works | (1,079,308) | - | 850,879 | (228,429) |
| Health and Sanitation | (25,953) | - | - | (25,953) |
| Public Assistance | (30,602) | - | - | (30,602) |
| Culture and Recreation | (4,125) | - | - | (4,125) |
| Total Governmental Activities | \$ (3,200,742) | \$ 215,455 | \$ 965,989 | (2,019,298) |

General Receipts:

| | |
|---|---------------------|
| Property Taxes | 1,574,053 |
| Grants and Contributions not Restricted to Specific Programs | 75,573 |
| Investment Income | 48,327 |
| Miscellaneous | 127,140 |
| Total General Receipts | 1,825,093 |
| Change in Net Assets | (194,205) |
| Net Assets - Beginning | 1,990,146 |
| Net Assets - Ending | \$ 1,795,941 |

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

HOWARD COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
 June 30, 2004

| | General Fund | Road Fund | Inheritance Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|-------------------|-------------------|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents (Note 1.D) | \$ 767,303 | \$ 281,998 | \$ 210,877 | \$ 407,450 | \$ 1,667,628 |
| Investments (Note 1.D) | 128,313 | - | - | - | 128,313 |
| TOTAL ASSETS | \$ 895,616 | \$ 281,998 | \$ 210,877 | \$ 407,450 | \$ 1,795,941 |
| FUND BALANCES | | | | | |
| Fund Balances: | | | | | |
| Unreserved, reported in: | | | | | |
| General fund | \$ 895,616 | \$ - | \$ - | \$ - | \$ 895,616 |
| Special revenue funds | - | 281,998 | 210,877 | 407,450 | 900,325 |
| TOTAL FUND BALANCES | \$ 895,616 | \$ 281,998 | \$ 210,877 | \$ 407,450 | \$ 1,795,941 |

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

HOWARD COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

| | General Fund | Road Fund | Inheritance Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|-------------------|---------------------|--------------------------------|--------------------------------|
| RECEIPTS | | | | | |
| Property Taxes | \$ 1,205,017 | \$ 3 | \$ 240,885 | \$ 128,148 | \$ 1,574,053 |
| Licenses and Permits | 28,872 | - | - | - | 28,872 |
| Interest | 48,327 | - | - | - | 48,327 |
| Intergovernmental | 103,950 | 846,091 | - | 91,521 | 1,041,562 |
| Charges for Services | 174,330 | - | - | 41,125 | 215,455 |
| Miscellaneous | 15,774 | 81,750 | - | 744 | 98,268 |
| TOTAL RECEIPTS | <u>1,576,270</u> | <u>927,844</u> | <u>240,885</u> | <u>261,538</u> | <u>3,006,537</u> |
| DISBURSEMENTS | | | | | |
| General Government | 1,240,786 | - | - | 116,427 | 1,357,213 |
| Public Safety | 442,292 | - | - | 261,249 | 703,541 |
| Public Works | 43,646 | 972,479 | - | 63,183 | 1,079,308 |
| Health and Sanitation | 25,953 | - | - | - | 25,953 |
| Public Assistance | 27,320 | - | - | 3,282 | 30,602 |
| Culture and Recreation | - | - | - | 4,125 | 4,125 |
| TOTAL DISBURSEMENTS | <u>1,779,997</u> | <u>972,479</u> | <u>-</u> | <u>448,266</u> | <u>3,200,742</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | <u>(203,727)</u> | <u>(44,635)</u> | <u>240,885</u> | <u>(186,728)</u> | <u>(194,205)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 61,815 | - | - | 300,000 | 361,815 |
| Transfers out | - | - | (300,000) | (61,815) | (361,815) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>61,815</u> | <u>-</u> | <u>(300,000)</u> | <u>238,185</u> | <u>-</u> |
| Net Change in Fund Balances | (141,912) | (44,635) | (59,115) | 51,457 | (194,205) |
| CASH BASIS FUND BALANCES - BEGINNING | <u>1,037,528</u> | <u>326,633</u> | <u>269,992</u> | <u>355,993</u> | <u>1,990,146</u> |
| CASH BASIS FUND BALANCES - ENDING | <u>\$ 895,616</u> | <u>\$ 281,998</u> | <u>\$ 210,877</u> | <u>\$ 407,450</u> | <u>\$ 1,795,941</u> |

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

HOWARD COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
FIDUCIARY FUNDS
 June 30, 2004

| | <u>Agency Funds</u> |
|-----------------------------|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 248,188 |
| LIABILITIES | |
| Due to other governments | |
| State | 95,070 |
| Schools | 60,432 |
| Educational Service Units | 869 |
| Technical College | 4,578 |
| Natural Resource Districts | 1,471 |
| Fire Districts | 33,748 |
| Municipalities | 13,314 |
| Agricultural Society | 361 |
| Irrigation Districts | 13,070 |
| Townships | |
| Tax Reimbursement | 3,281 |
| Partial Payments | 18,537 |
| Reclamation Districts | 3,364 |
| Historical Society | 93 |
| TOTAL LIABILITIES | 248,188 |
| TOTAL NET ASSETS | \$ - |

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

HOWARD COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2004

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Howard 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 elected 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, and other organizations which are fiscally dependent on the County, or the significance of their relationship with the County is 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.

These financial statements present the County (the primary government). The Howard County Community 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. Mental Health Region III. 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 Comprehensive Community Mental Health Services Act and the Developmental Disabilities Services Act (Acts). Agreements were established under the authority of the Interlocal Cooperation Act for services to be provided under each of the Acts. The Region consists of the following counties: Blaine, Loup, Garfield, Wheeler, Custer, Valley, Greeley, Sherman, Howard, Buffalo, Hall, Phelps, Kearney, Adams, Clay, Furnas, Harlan, Hamilton, Merrick, Franklin, Webster, Nuckolls.

HOWARD COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 Acts. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$22,432 toward the operation of the Region during fiscal year 2004. 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.

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 have not been eliminated. Governmental GAAP would require internal activity to be eliminated to minimize double counting. The County reports governmental activities only. Governmental activities generally are financed through taxes, intergovernmental revenues, 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 emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

HOWARD COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 revenues generated from estate taxes.

The County reports the following additional fund types:

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

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

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. Revenues are recognized when received and expenditures 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 revenues are recorded when earned and expenses 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

HOWARD COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

measurement focus and basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures 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. Sections 77-2315 R.R.S. 1996, 77-2340 R.S.Supp., 2002, and 77-2341 R.R.S. 1996, and generally include U.S. Government obligations, certificates of deposit, and time deposits and securities which are authorized by the Nebraska Investment Council.

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

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

Compensated Absences. Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as an expenditure 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.

HOWARD COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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. Section 77-2315 R.R.S. 1996.

At year end, the County's carrying amount of deposits was \$1,667,628 for County funds and \$248,188 for the fiduciary funds. The bank balance for all funds was \$2,069,864. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits as of June 30, 2004 were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County's carrying value of investments are stated at cost, which approximates market. Investments consisted of \$128,313 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.

HOWARD COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Property Taxes** (Concluded)

The levy set in October 2003, for the 2003 taxes which will be materially collected in May and September, 2004, was set at \$.297040/\$100 of assessed valuation. The levy set in October 2002, for the 2002 taxes which were materially collected in May and September, 2003, was set at \$.238963/\$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 defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The Plan provisions are established under Neb. Rev. Stat. Sections 23-2301 through 23-2335 and may be amended through legislative action.

Participation in the Plan is required of all full time employees upon the completion of 12 months of continuous service and of all full time elected officials upon taking office. Full time or part time (working less than one-half of the regularly scheduled hours) employees may elect voluntary participation upon reaching age 25 and completing a total of 12 months service within a five-year period. 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 Neb. Rev. Stat. Sections 23-2307 and 23-2308 R.S.Supp., 2002, 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, including the twelve month eligibility period 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

HOWARD COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

For the year ended June 30, 2004, 44 employees contributed \$45,870; the County contributed \$68,805 in cash contributions. Additionally, for the year ended June 30, 2004, six law enforcement employees and the County contributed \$1,472 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$876 directly to three retired employees for prior service benefits.

5. **Risk Management**

The County is exposed to various risks of loss related to 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 70 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 is otherwise unable to discharge its legal liabilities and other 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, shall be sent to each county in writing, and each county shall thereafter have sixty (60) days in which to pay the amount of such assessment. Each county shall remain liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, and for liabilities of the Pool incurred during such county's period of membership.

The agreement with NIRMA provides that NIRMA will 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 | \$ 300,000 | Statutory Limits |
| Property Damage Claim | \$ 25,000 | Insured Value at Replacement Cost |

HOWARD COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Risk Management** (Concluded)

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 2005. 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, 2004, consisted of the following:

| <u>Transfers to</u> | Transfers from | | Total |
|----------------------------|-------------------------|-----------------------|-------------------|
| | Inheritance Fund | Nonmajor Funds | |
| General Fund | \$ - | \$ 61,815 | \$ 61,815 |
| Nonmajor Funds | 300,000 | - | 300,000 |
| Total | \$ 300,000 | \$ 61,815 | \$ 361,815 |

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

7. **GASB 34**

In June 1999, the Governmental Accounting Standards Board (GASB) issued *Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* (GASB 34). The County implemented GASB 34 for the fiscal year ended June 30, 2004.

The County implemented GASB 34 by presenting its financial statements in a format as required by GASB 34. However, as explained in Note 1 the County’s financial statements are presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Previous period financial statements of the County were also prepared on the cash basis of accounting; therefore, these financial statements, even though in a different format, are comparable to previous period financial statements of the County.

HOWARD COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-------------------|-------------------|---|
| RECEIPTS | | | | |
| Taxes | \$ 1,262,362 | \$ 1,262,362 | \$ 1,205,017 | \$ (57,345) |
| Licenses and Permits | 27,040 | 27,040 | 28,872 | 1,832 |
| Interest | 69,929 | 69,929 | 48,327 | (21,602) |
| Intergovernmental | 61,370 | 61,370 | 103,950 | 42,580 |
| Charges for Services | 140,545 | 140,545 | 174,330 | 33,785 |
| Miscellaneous | 9,080 | 9,080 | 15,774 | 6,694 |
| TOTAL RECEIPTS | <u>1,570,326</u> | <u>1,570,326</u> | <u>1,576,270</u> | <u>5,944</u> |
| DISBURSEMENTS | | | | |
| General Government: | | | | |
| County Board | 89,400 | 89,400 | 86,447 | 2,953 |
| County Clerk | 96,650 | 96,650 | 89,221 | 7,429 |
| County Treasurer | 89,926 | 89,926 | 88,939 | 987 |
| County Assessor | 106,128 | 106,128 | 97,791 | 8,337 |
| Election Commissioner | 11,950 | 11,950 | 10,192 | 1,758 |
| Planning Commission | 25,170 | 25,170 | 18,099 | 7,071 |
| Clerk of the District Court | 19,800 | 19,800 | 12,950 | 6,850 |
| County Court System | 6,100 | 6,100 | 5,854 | 246 |
| Building and Grounds | 61,800 | 61,800 | 58,542 | 3,258 |
| Agricultural Extension Agent | 32,050 | 32,050 | 32,042 | 8 |
| Miscellaneous | 753,500 | 753,500 | 740,709 | 12,791 |
| Public Safety | | | | |
| County Sheriff | 291,700 | 291,700 | 291,180 | 520 |
| County Attorney | 66,915 | 66,915 | 63,250 | 3,665 |
| County Jail | 71,000 | 71,000 | 71,000 | - |
| Miscellaneous | 10,238 | 10,238 | 16,862 | (6,624) |
| Public Works | | | | |
| County Surveyor | 3,650 | 3,650 | 2,990 | 660 |
| Highway Superintendent | 30,740 | 30,740 | 11,379 | 19,361 |
| Miscellaneous | 30,000 | 30,000 | 29,277 | 723 |
| Public Health | | | | |
| Miscellaneous | 21,500 | 21,500 | 25,953 | (4,453) |
| Public Assistance | | | | |
| Veterans' Service Officer | 18,900 | 18,900 | 18,900 | - |
| Miscellaneous | 9,420 | 9,420 | 8,420 | 1,000 |
| TOTAL DISBURSEMENTS | <u>1,846,537</u> | <u>1,846,537</u> | <u>1,779,997</u> | <u>66,540</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | (276,211) | (276,211) | (203,727) | 72,484 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 61,815 | 61,815 | 61,815 | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>61,815</u> | <u>61,815</u> | <u>61,815</u> | <u>-</u> |
| Net Change in Fund Balance | (214,396) | (214,396) | (141,912) | 72,484 |
| FUND BALANCES - BEGINNING | 1,037,528 | 1,037,528 | 1,037,528 | - |
| FUND BALANCES - ENDING | <u>\$ 823,132</u> | <u>\$ 823,132</u> | <u>\$ 895,616</u> | <u>\$ 72,484</u> |

HOWARD COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-------------------|-------------------|---|
| ROAD/BRIDGE FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ - | \$ - | \$ 3 | \$ 3 |
| Intergovernmental | 861,244 | 861,244 | 846,091 | (15,153) |
| Miscellaneous | 76,699 | 76,699 | 81,750 | 5,051 |
| TOTAL RECEIPTS | 937,943 | 937,943 | 927,844 | (10,099) |
| DISBURSEMENTS | 1,073,500 | 1,073,500 | 972,479 | 101,021 |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | (135,557) | (135,557) | (44,635) | 90,922 |
| FUND BALANCE - BEGINNING | 326,633 | 326,633 | 326,633 | - |
| FUND BALANCE - ENDING | \$ 191,076 | \$ 191,076 | \$ 281,998 | \$ 90,922 |
| INHERITANCE FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 100,000 | \$ 100,000 | \$ 240,885 | \$ 140,885 |
| TOTAL RECEIPTS | 100,000 | 100,000 | 240,885 | 140,885 |
| DISBURSEMENTS | - | - | - | - |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | 100,000 | 100,000 | 240,885 | 140,885 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (300,000) | (300,000) | (300,000) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (300,000) | (300,000) | (300,000) | - |
| Net Change in Fund Balance | (200,000) | (200,000) | (59,115) | 140,885 |
| FUND BALANCE - BEGINNING | 269,992 | 269,992 | 269,992 | - |
| FUND BALANCE - ENDING | \$ 69,992 | \$ 69,992 | \$ 210,877 | \$ 140,885 |

HOWARD COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2004

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 revenues which have actually been 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 revenue 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 shall adopt the budget and appropriate 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 expenditures of any fund, an additional public hearing 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.

HOWARD COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

| | Civil Defense Fund | Tourism Promotion Fund | Employment Security Act Fund | Medical Relief Fund | Institutions Fund | Emergency Bridge Fund |
|---|-----------------------|------------------------------|------------------------------------|------------------------|----------------------|--------------------------|
| RECEIPTS | | | | | | |
| Property Taxes | \$ - | \$ 5,376 | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 85,528 | - | - | 44 | - | - |
| Charges for Services | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| TOTAL RECEIPTS | 85,528 | 5,376 | - | 44 | - | - |
| DISBURSEMENTS | | | | | | |
| General Government | - | - | 8,507 | - | - | - |
| Public Safety | 102,856 | - | - | - | - | - |
| Public Works | - | - | - | - | - | - |
| Public Assistance | - | - | - | - | 3,282 | - |
| Culture and Recreation | - | 4,125 | - | - | - | - |
| Capital Projects | - | - | - | - | - | - |
| TOTAL DISBURSEMENTS | 102,856 | 4,125 | 8,507 | - | 3,282 | - |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | (17,328) | 1,251 | (8,507) | 44 | (3,282) | - |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 15,000 | - | 15,000 | - | - | - |
| Transfers out | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 15,000 | - | 15,000 | - | - | - |
| Net Change in Fund Balances | (2,328) | 1,251 | 6,493 | 44 | (3,282) | - |
| FUND BALANCES - BEGINNING | 10,818 | 5,157 | 7,596 | 42,848 | 16,661 | 95,603 |
| FUND BALANCES - ENDING | \$ 8,490 | \$ 6,408 | \$ 14,089 | \$ 42,892 | \$ 13,379 | \$ 95,603 |

(Continued)

HOWARD COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

| | Law Enforcement Fund | Handicap Accessibility Fund | County Building Fund | Noxious Weed Fund | Central Communications Fund | Emergency 911 Fund | Total Nonmajor Governmental Funds |
|---|----------------------------|-----------------------------------|-------------------------|----------------------|-----------------------------------|-----------------------|--|
| RECEIPTS | | | | | | | |
| Property Taxes | \$ - | \$ 1 | \$ - | \$ - | \$ 93,116 | \$ 29,655 | \$ 128,148 |
| Intergovernmental | 2,325 | - | - | - | 3,624 | - | 91,521 |
| Charges for Services | - | - | - | - | 41,125 | - | 41,125 |
| Miscellaneous | - | - | 500 | 184 | 60 | - | 744 |
| TOTAL RECEIPTS | 2,325 | 1 | 500 | 184 | 137,925 | 29,655 | 261,538 |
| DISBURSEMENTS | | | | | | | |
| General Government | - | - | 107,920 | - | - | - | 116,427 |
| Public Safety | 2,325 | - | - | - | 142,332 | 13,736 | 261,249 |
| Public Works | - | - | - | 63,183 | - | - | 63,183 |
| Public Assistance | - | - | - | - | - | - | 3,282 |
| Culture and Recreation | - | - | - | - | - | - | 4,125 |
| Capital Projects | - | - | - | - | - | - | - |
| TOTAL DISBURSEMENTS | 2,325 | - | 107,920 | 63,183 | 142,332 | 13,736 | 448,266 |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | - | 1 | (107,420) | (62,999) | (4,407) | 15,919 | (186,728) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | - | 210,000 | 60,000 | - | - | 300,000 |
| Transfers out | - | - | - | - | - | (61,815) | (61,815) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | 210,000 | 60,000 | - | (61,815) | 238,185 |
| Net Change in Fund Balances | - | 1 | 102,580 | (2,999) | (4,407) | (45,896) | 51,457 |
| FUND BALANCES - BEGINNING | - | 18,668 | (58,530) | 29,137 | 49,922 | 138,113 | 355,993 |
| FUND BALANCES - ENDING | \$ - | \$ 18,669 | \$ 44,050 | \$ 26,138 | \$ 45,515 | \$ 92,217 | \$ 407,450 |

(Concluded)

HOWARD COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------|---|
| CIVIL DEFENSE FUND | | | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ 86,737 | \$ 86,737 | \$ 85,528 | \$ (1,209) |
| TOTAL RECEIPTS | 86,737 | 86,737 | 85,528 | (1,209) |
| DISBURSEMENTS | 102,937 | 102,937 | 102,856 | 81 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 15,000 | 15,000 | 15,000 | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 15,000 | 15,000 | 15,000 | - |
| Net Change in Fund Balance | (1,200) | (1,200) | (2,328) | (1,128) |
| FUND BALANCE - BEGINNING | 10,818 | 10,818 | 10,818 | - |
| FUND BALANCE - ENDING | \$ 9,618 | \$ 9,618 | \$ 8,490 | \$ (1,128) |
| TOURISM PROMOTION FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 5,000 | \$ 5,000 | \$ 5,376 | \$ 376 |
| TOTAL RECEIPTS | 5,000 | 5,000 | 5,376 | 376 |
| DISBURSEMENTS | 6,100 | 6,100 | 4,125 | 1,975 |
| Net Change in Fund Balance | (1,100) | (1,100) | 1,251 | 2,351 |
| FUND BALANCE - BEGINNING | 5,157 | 5,157 | 5,157 | - |
| FUND BALANCE - ENDING | \$ 4,057 | \$ 4,057 | \$ 6,408 | \$ 2,351 |
| EMPLOYMENT SECURITY ACT FUND | | | | |
| DISBURSEMENTS | 15,000 | 15,000 | 8,507 | 6,493 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 15,000 | 15,000 | 15,000 | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 15,000 | 15,000 | 15,000 | - |
| Net Change in Fund Balance | - | - | 6,493 | 6,493 |
| FUND BALANCE - BEGINNING | 7,596 | 7,596 | 7,596 | - |
| FUND BALANCE - ENDING | \$ 7,596 | \$ 7,596 | \$ 14,089 | \$ 6,493 |

(Continued)

HOWARD COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------|--------------------|------------------|------------------|---|
| MEDICAL RELIEF FUND | | | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ 40 | \$ 40 | \$ 44 | \$ 4 |
| TOTAL RECEIPTS | <u>40</u> | <u>40</u> | <u>44</u> | <u>4</u> |
| | | | | |
| DISBURSEMENTS | <u>4,000</u> | <u>4,000</u> | <u>-</u> | <u>4,000</u> |
| | | | | |
| Net Change in Fund Balance | (3,960) | (3,960) | 44 | 4,004 |
| FUND BALANCE - BEGINNING | 42,848 | 42,848 | 42,848 | - |
| FUND BALANCE - ENDING | <u>\$ 38,888</u> | <u>\$ 38,888</u> | <u>\$ 42,892</u> | <u>\$ 4,004</u> |
| | | | | |
| INSTITUTIONS FUND | | | | |
| DISBURSEMENTS | \$ 4,500 | \$ 4,500 | \$ 3,282 | \$ 1,218 |
| | | | | |
| Net Change in Fund Balance | (4,500) | (4,500) | (3,282) | 1,218 |
| FUND BALANCE - BEGINNING | 16,661 | 16,661 | 16,661 | - |
| FUND BALANCE - ENDING | <u>\$ 12,161</u> | <u>\$ 12,161</u> | <u>\$ 13,379</u> | <u>\$ 1,218</u> |
| | | | | |
| EMERGENCY BRIDGE FUND | | | | |
| DISBURSEMENTS | \$ 95,000 | \$ 95,000 | \$ - | \$ 95,000 |
| | | | | |
| Net Change in Fund Balance | (95,000) | (95,000) | - | 95,000 |
| FUND BALANCE - BEGINNING | 95,603 | 95,603 | 95,603 | - |
| FUND BALANCE - ENDING | <u>\$ 603</u> | <u>\$ 603</u> | <u>\$ 95,603</u> | <u>\$ 95,000</u> |
| | | | | |
| LAW ENFORCEMENT FUND | | | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ - | \$ - | \$ 2,325 | \$ 2,325 |
| Miscellaneous | 95,216 | 95,216 | - | (95,216) |
| TOTAL RECEIPTS | <u>95,216</u> | <u>95,216</u> | <u>2,325</u> | <u>(92,891)</u> |
| | | | | |
| DISBURSEMENTS | <u>95,216</u> | <u>95,216</u> | <u>2,325</u> | <u>92,891</u> |
| | | | | |
| Net Change in Fund Balance | - | - | - | - |
| FUND BALANCE - BEGINNING | - | - | - | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

(Continued)

HOWARD COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|------------------|---|
| HANDICAP ACCESSIBILITY FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ - | \$ - | \$ 1 | \$ 1 |
| TOTAL RECEIPTS | - | - | 1 | 1 |
| DISBURSEMENTS | | | | |
| | 18,000 | 18,000 | - | 18,000 |
| Net Change in Fund Balance | (18,000) | (18,000) | 1 | 18,001 |
| FUND BALANCE - BEGINNING | 18,668 | 18,668 | 18,668 | - |
| FUND BALANCE - ENDING | <u>\$ 668</u> | <u>\$ 668</u> | <u>\$ 18,669</u> | <u>\$ 18,001</u> |
| COUNTY BUILDING FUND | | | | |
| RECEIPTS | | | | |
| Miscellaneous | \$ - | \$ - | \$ 500 | \$ 500 |
| TOTAL RECEIPTS | - | - | 500 | 500 |
| DISBURSEMENTS | | | | |
| | 150,000 | 150,000 | 107,920 | 42,080 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 210,000 | 210,000 | 210,000 | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 210,000 | 210,000 | 210,000 | - |
| Net Change in Fund Balance | 60,000 | 60,000 | 102,580 | 42,580 |
| FUND BALANCE - BEGINNING | (58,530) | (58,530) | (58,530) | - |
| FUND BALANCE - ENDING | <u>\$ 1,470</u> | <u>\$ 1,470</u> | <u>\$ 44,050</u> | <u>\$ 42,580</u> |
| NOXIOUS WEED FUND | | | | |
| RECEIPTS | | | | |
| Miscellaneous | \$ - | \$ - | \$ 184 | \$ 184 |
| TOTAL RECEIPTS | - | - | 184 | 184 |
| DISBURSEMENTS | | | | |
| | 69,310 | 69,310 | 63,183 | 6,127 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 60,000 | 60,000 | 60,000 | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 60,000 | 60,000 | 60,000 | - |
| Net Change in Fund Balance | (9,310) | (9,310) | (2,999) | 6,311 |
| FUND BALANCE - BEGINNING | 29,137 | 29,137 | 29,137 | - |
| FUND BALANCE - ENDING | <u>\$ 19,827</u> | <u>\$ 19,827</u> | <u>\$ 26,138</u> | <u>\$ 6,311</u> |

(Continued)

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

For the Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|------------------|---|
| CENTRAL COMMUNICATIONS FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 90,000 | \$ 90,000 | \$ 93,116 | \$ 3,116 |
| Intergovernmental | 3,410 | 3,410 | 3,624 | 214 |
| Charges for Services | 39,000 | 39,000 | 41,125 | 2,125 |
| Miscellaneous | - | - | 60 | 60 |
| TOTAL RECEIPTS | 132,410 | 132,410 | 137,925 | 5,515 |
| DISBURSEMENTS | 142,700 | 142,700 | 142,332 | 368 |
| Net Change in Fund Balance | (10,290) | (10,290) | (4,407) | 5,883 |
| FUND BALANCE - BEGINNING | 49,922 | 49,922 | 49,922 | - |
| FUND BALANCE - ENDING | \$ 39,632 | \$ 39,632 | \$ 45,515 | \$ 5,883 |
| EMERGENCY 911 FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 32,000 | \$ 32,000 | \$ 29,655 | \$ (2,345) |
| TOTAL RECEIPTS | 32,000 | 32,000 | 29,655 | (2,345) |
| DISBURSEMENTS | 9,500 | 14,500 | 13,736 | 764 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (61,815) | (61,815) | (61,815) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (61,815) | (61,815) | (61,815) | - |
| Net Change in Fund Balance | (39,315) | (44,315) | (45,896) | (1,581) |
| FUND BALANCE - BEGINNING | 138,113 | 138,113 | 138,113 | - |
| FUND BALANCE - ENDING | \$ 98,798 | \$ 93,798 | \$ 92,217 | \$ (1,581) |

(Concluded)

HOWARD COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2004

| | County Clerk | Clerk of the District Court | County Sheriff | County Attorney | Highway Superintendent | County Planning and Zoning | Total |
|------------------------------|-----------------|--------------------------------|-----------------|--------------------|---------------------------|----------------------------------|------------------|
| BALANCE JULY 1, 2003 | \$ 7,717 | \$ 9,121 | \$ 3,273 | \$ 132 | \$ - | \$ - | \$ 20,243 |
| RECEIPTS | | | | | | | |
| Licenses and Permits | 495 | - | 460 | - | - | - | 955 |
| Intergovernmental | - | - | - | - | 1,790 | - | 1,790 |
| Charges for Services | 57,687 | 5,358 | 21,695 | 2,320 | - | 2,887 | 89,947 |
| Miscellaneous | - | - | - | - | 5,754 | - | 5,754 |
| State Fees | 42,354 | 4,895 | - | - | - | - | 47,249 |
| Other Liabilities | - | 119,300 | 8,587 | 15,673 | - | - | 143,560 |
| TOTAL RECEIPTS | 100,536 | 129,553 | 30,742 | 17,993 | 7,544 | 2,887 | 289,255 |
| DISBURSEMENTS | | | | | | | |
| Payments to County Treasurer | 58,013 | 5,093 | 32,118 | 2,320 | 7,544 | 2,593 | 107,681 |
| Payments to State Treasurer | 41,469 | 4,741 | - | - | - | - | 46,210 |
| Other Liabilities | - | 116,050 | - | 15,578 | - | - | 131,628 |
| TOTAL DISBURSEMENTS | 99,482 | 125,884 | 32,118 | 17,898 | 7,544 | 2,593 | 285,519 |
| BALANCE JUNE 30, 2004 | <u>\$ 8,771</u> | <u>\$ 12,790</u> | <u>\$ 1,897</u> | <u>\$ 227</u> | <u>\$ -</u> | <u>\$ 294</u> | <u>\$ 23,979</u> |
| BALANCE CONSISTS OF: | | | | | | | |
| Due to County Treasurer | \$ 5,105 | \$ 550 | \$ 1,897 | \$ - | \$ - | \$ 294 | \$ 7,846 |
| Petty Cash | - | - | - | 100 | - | - | 100 |
| Due to State Treasurer | 3,666 | 437 | - | - | - | - | 4,103 |
| Due to Others | - | 11,803 | - | 127 | - | - | 11,930 |
| BALANCE JUNE 30, 2004 | <u>\$ 8,771</u> | <u>\$ 12,790</u> | <u>\$ 1,897</u> | <u>\$ 227</u> | <u>\$ -</u> | <u>\$ 294</u> | <u>\$ 23,979</u> |

HOWARD COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2004

| Item | 1999 | 2000 | 2001 | 2002 | 2003 |
|--|------------------|------------------|------------------|------------------|---------------------|
| Tax Certified by Assessor | | | | | |
| Real Estate | \$ 5,502,221 | \$ 5,839,880 | \$ 6,062,109 | \$ 6,222,841 | \$ 6,906,603 |
| Personal and Specials | 427,169 | 420,121 | 426,112 | 449,087 | 495,499 |
| Total | <u>5,929,390</u> | <u>6,260,001</u> | <u>6,488,221</u> | <u>6,671,928</u> | <u>7,402,102</u> |
| Corrections | | | | | |
| Additions | 5,390 | 1,286 | 8,641 | 3,984 | 3,928 |
| Deductions | <u>8,713</u> | <u>7,569</u> | <u>5,027</u> | <u>9,475</u> | <u>9,568</u> |
| Net Additions/ (Deductions) | <u>(3,323)</u> | <u>(6,283)</u> | <u>3,614</u> | <u>(5,491)</u> | <u>(5,640)</u> |
| Corrected Certified Tax | <u>5,926,067</u> | <u>6,253,718</u> | <u>6,491,835</u> | <u>6,666,437</u> | <u>7,396,462</u> |
| Net Tax Collected by County Treasurer during Fiscal Year Ending: | | | | | |
| June 30, 2000 | 3,246,153 | - | - | - | - |
| June 30, 2001 | 2,659,730 | 3,470,405 | - | - | - |
| June 30, 2002 | 4,995 | 2,753,579 | 3,617,463 | - | - |
| June 30, 2003 | 7,375 | 13,888 | 2,832,111 | 3,717,299 | - |
| June 30, 2004 | <u>1,721</u> | <u>5,924</u> | <u>19,864</u> | <u>2,938,017</u> | <u>4,010,771</u> |
| Total Net Collections | <u>5,919,974</u> | <u>6,243,796</u> | <u>6,469,438</u> | <u>6,655,316</u> | <u>4,010,771</u> |
| Total Uncollected Tax | <u>\$ 6,093</u> | <u>\$ 9,922</u> | <u>\$ 22,397</u> | <u>\$ 11,121</u> | <u>\$ 3,385,691</u> |
| Percentage Uncollected Tax | <u>0.10%</u> | <u>0.16%</u> | <u>0.35%</u> | <u>0.17%</u> | <u>45.77%</u> |

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HOWARD COUNTY REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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We have audited the financial statements of Howard County as of and for the year ended June 30, 2004, and have issued our report thereon dated October 26, 2004. 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 Howard County Hospital, a component unit of Howard 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.

Compliance

As part of obtaining reasonable assurance about whether Howard County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Neb. Rev. Stat. Section 13-504 R.R.S. 1997 requires that an entity's budget document include, for the immediately preceding fiscal year, receipts from all sources and the amount of actual disbursements. The fiscal year 2003-2004 actual numbers for receipts and disbursements as presented in Howard County's 2004-2005 budget document were not complete and accurate for the General, Road, Civil Defense, and Employment Security Act Funds. As a

result, the 2003-2004 financial statements of Howard County required a net adjustment of \$168,632 in order to accurately reflect Fund activity. It appears from documentation retained by the County that these budget inaccuracies were the result of problems encountered during the County's computerized budget file conversion process.

We also noted certain immaterial instances of noncompliance that we have reported to the management of Howard County in a separate letter dated October 26, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Howard County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Howard County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The following reportable condition was noted:

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, the reportable condition described above is considered to be a material weakness. We also noted another matter involving the internal control over financial reporting, which we have reported to the management of Howard County in a separate letter dated October 26, 2004.

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.



Deputy State Auditor

October 26, 2004