

**AUDIT REPORT
OF
BUFFALO COUNTY**

JULY 1, 2005 THROUGH JUNE 30, 2006

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the Auditor of Public Accounts.**

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Issued on December 5, 2006

BUFFALO COUNTY

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BUFFALO COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Pierce	Board of Supervisors	Jan. 2009
William McMullen		Jan. 2009
Horace Dannehl		Jan. 2009
W. Greg Barney		Jan. 2007
Ivan Klein		Jan. 2007
Timothy Lowenstein		Jan. 2007
Sherry Morrow		Jan. 2007
Joe Woodward	Assessor	Jan. 2007
Shawn Eatherton	Attorney	Jan. 2007
Judy Jobman	Clerk	Jan. 2007
Glenda Debie	Election Commissioner	
Kellie John	Register of Deeds	
Sharon Mauler	Clerk of the District Court	Jan. 2007
Neil Miller	Sheriff	Jan. 2007
Jean Sidwell	Treasurer	Jan. 2007
Mitchell Humphrey	Surveyor	Jan. 2007
Gary Hogg	Public Defender	Jan. 2007
Wm. R. Williams	Veterans' Service Officer	Appointed
Richard Kincaid	Weed Superintendent	Appointed
Ron Sklenar	Highway Superintendent	Appointed
LeAnn Klein	Zoning/Floodplain	Appointed
Jennifer Epp	Information Technology	Appointed

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BUFFALO COUNTY

INDEPENDENT AUDITORS' REPORT

Deann Haeffner, CPA
Deputy State Auditor
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Board of Supervisors
Buffalo County, Nebraska

Don Dunlap, CPA
Asst. Deputy Auditor
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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 Buffalo County, as of and for the year ended June 30, 2006, 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.

Pat Reding, CPA
Asst. Deputy Auditor
Pat.Reding@apa.ne.gov

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.

Tim Channer, CPA
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Mary Avery
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Dennis Meyer, CGFM
Subdivision Budget
Coordinator
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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.

Mark Avery, CPA
Subdivision Audit
Review Coordinator
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Perry Pirsch, JD, MPA
Legal Counsel
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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 Buffalo County, as of June 30, 2006, 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 November 2, 2006, on our consideration of Buffalo 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 to scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We 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.

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

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

November 2, 2006



Deputy State Auditor

BUFFALO COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents (Note 1.D)	\$ 4,291,919
Investments (Note 1.D)	<u>1,271,254</u>
TOTAL ASSETS	<u><u>\$ 5,563,173</u></u>
 NET ASSETS	
Restricted for:	
911 Emergency Service	\$ 115,857
Visitor Promotion	30,965
Other Purposes	6,394
Unrestricted	<u>5,409,957</u>
TOTAL NET ASSETS	<u><u>\$ 5,563,173</u></u>

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

BUFFALO COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2006

Functions:	Cash	Program Cash Receipts		Net
Governmental Activities:	Disbursements	Fees, Fines, and Charges for Services	Operating Grants and Contributions	(Disbursement) Receipts and Changes in Net Assets
General Government	\$ (4,929,092)	\$ 1,189,972	\$ 241,267	\$ (3,497,853)
Public Safety	(6,352,493)	539,998	1,808,985	(4,003,510)
Public Works	(6,036,495)	130,217	2,401,278	(3,505,000)
Health and Sanitation	(117,728)	-	-	(117,728)
Public Assistance	(316,563)	-	-	(316,563)
Culture and Recreation	(809,779)	-	57,274	(752,505)
Capital Outlay	(780,017)	-	-	(780,017)
Total Governmental Activities	\$ (19,342,167)	\$ 1,860,187	\$ 4,508,804	(12,973,176)

General Receipts:	
Property Taxes	10,317,649
Grants and Contributions Not Restricted to Specific Programs	1,197,710
Investment Income	399,430
Miscellaneous	498,747
Total General Receipts	12,413,536
Change in Net Assets	(559,640)
Net Assets - Beginning	6,122,813
Net Assets - Ending	\$ 5,563,173

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

BUFFALO COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>County Building and Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents (Note 1.D)	\$ 968,492	\$ 201,804	\$ 1,516,226	\$ 1,401,400	\$ 203,997	\$ 4,291,919
Investments (Note 1.D)	-	-	1,271,254	-	-	1,271,254
TOTAL ASSETS	<u>\$ 968,492</u>	<u>\$ 201,804</u>	<u>\$ 2,787,480</u>	<u>\$ 1,401,400</u>	<u>\$ 203,997</u>	<u>\$ 5,563,173</u>
FUND BALANCES						
Unreserved, reported in:						
General fund	\$ 968,492	\$ -	\$ -	\$ -	\$ -	\$ 968,492
Special revenue funds	-	201,804	2,787,480	1,401,400	203,997	4,594,681
TOTAL CASH BASIS FUND BALANCES	<u>\$ 968,492</u>	<u>\$ 201,804</u>	<u>\$ 2,787,480</u>	<u>\$ 1,401,400</u>	<u>\$ 203,997</u>	<u>\$ 5,563,173</u>

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

BUFFALO COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General Fund	Road Fund	Inheritance Fund	County Building and Repair Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 9,380,341	\$ -	\$ 422,083	\$ -	\$ 515,225	\$ 10,317,649
Licenses and Permits	162,001	-	-	-	-	162,001
Interest	-	-	-	399,210	220	399,430
Intergovernmental	3,540,856	2,163,351	-	-	2,307	5,706,514
Charges for Services	1,709,677	-	-	-	150,510	1,860,187
Miscellaneous	196,788	112,624	-	-	27,334	336,746
TOTAL RECEIPTS	14,989,663	2,275,975	422,083	399,210	695,596	18,782,527
DISBURSEMENTS						
General Government	4,914,740	-	2,045	-	12,307	4,929,092
Public Safety	6,235,066	-	-	-	117,427	6,352,493
Public Works	80,750	3,883,834	-	-	2,071,911	6,036,495
Health and Sanitation	117,728	-	-	-	-	117,728
Public Assistance	179,171	-	-	-	137,392	316,563
Culture and Recreation	508,929	-	-	-	300,850	809,779
Capital Outlay	780,017	-	-	-	-	780,017
TOTAL DISBURSEMENTS	12,816,401	3,883,834	2,045	-	2,639,887	19,342,167
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	2,173,262	(1,607,859)	420,038	399,210	(1,944,291)	(559,640)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,991,250	1,798,400	712,500	-	1,958,550	7,460,700
Transfers out	(4,469,450)	-	(1,793,300)	(1,197,950)	-	(7,460,700)
TOTAL OTHER FINANCING SOURCES (USES)	(1,478,200)	1,798,400	(1,080,800)	(1,197,950)	1,958,550	-
Net Change in Fund Balances	695,062	190,541	(660,762)	(798,740)	14,259	(559,640)
CASH BASIS FUND BALANCES - BEGINNING	273,430	11,263	3,448,242	2,200,140	189,738	6,122,813
CASH BASIS FUND BALANCES - ENDING	\$ 968,492	\$ 201,804	\$ 2,787,480	\$ 1,401,400	\$ 203,997	\$ 5,563,173

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

BUFFALO COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
CASH BASIS
FIDUCIARY FUNDS
 June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 3,577,348
 LIABILITIES	
Due to other governments	
State	602,015
Schools	2,274,427
Educational Service Units	3,960
Technical Colleges	21,894
Natural Resources Districts	8,186
Fire Districts	126,395
Municipalities	252,260
Agricultural Society	6,036
Townships	147,678
Sanitary and Improvement Districts	107,427
Others	27,070
 TOTAL LIABILITIES	 3,577,348
 TOTAL NET ASSETS	 \$ -

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

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2006

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Buffalo 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.

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 III - The County has entered into an agreement with surrounding counties and the Nebraska Health and Human Services System to provide services to carry out the provisions of the Nebraska Behavioral Health Services Act (Act). Agreements were established under the authority of the Interlocal Cooperation Act for services to be provided under the Act. The Region 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, and Nuckolls.

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

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

County contributed \$97,292 toward the operation of the Region during fiscal year 2006. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Health and Human Services System 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 Buffalo County Community Health Partners to provide public health services. Agreements were established under authority of the Interlocal Cooperation Act for services to be provided per State Statutes 71-1626 to 71-1636.

The Department's governing board is established by Statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of federal, state, local, and private funding. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is required to be audited annually in accordance with State Statute 84-304. Financial information for the Department is available in that report.

B. Basis of Presentation

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

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The County uses only the governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

Inheritance Fund. This fund is used to account for the revenues generated from estate taxes.

County Building and Repair Fund. This fund is used to account for costs associated with building and repair of County-owned facilities.

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

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 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, 77-2340, and 77-2341 R.R.S. 2003, 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.

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

Restricted Net Assets. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net assets are reported as restricted when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$153,216 of restricted net assets, of which \$153,216 is restricted by enabling legislation.

2. **Deposits and Investments**

The County has generally pooled the cash resources of the various funds for investment purposes. Interest earned on pooled funds is credited to the County General Fund in accordance with Neb. Rev. Stat. Section 77-2315 R.R.S. 2003.

At year end, the County's carrying amount of deposits was \$5,563,173 for County funds and \$3,577,348 for Fiduciary funds. The bank balances for all funds totaled \$7,638,420. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits as of June 30, 2006, 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 \$1,271,254 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a seven member Board of Trustees. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income that has accrued to each participant is converted as of the close of business of each calendar month into additional units, which thereafter are held in each participant's trust account. Since net income of the fund is allocated among 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.

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Property Taxes

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

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

The levy set in October 2005, for the 2005 taxes which will be materially collected in May and September 2006, was set at \$.338018/\$100 of assessed valuation. The levy set in October 2004, for the 2004 taxes which were materially collected in May and September 2005, was set at \$.356213/\$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., 2004, and may be amended through legislative action. The employee's and

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

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

For the year ended June 30, 2006, 160 employees contributed \$267,662; the County contributed \$401,303. Additionally, for the year ended June 30, 2006, 25 law enforcement employees and the County contributed \$9,685 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$1,582 directly to 17 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.

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. Risk Management (Concluded)

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

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 2007. 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, 2006, consisted of the following:

Transfers to	Transfers from				Total
	General Fund	Inheritance Fund	Building and Repair Fund	Nonmajor Funds	
General Fund	\$ -	\$ 1,793,300	\$ 1,197,950	\$ -	\$ 2,991,250
Inheritance Fund	712,500	-	-	-	712,500
Road Fund	1,798,400	-	-	-	1,798,400
Nonmajor Funds	1,958,550	-	-	-	1,958,550
Total	\$ 4,469,450	\$ 1,793,300	\$ 1,197,950	\$ -	\$ 7,460,700

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.

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. Contingent Liabilities

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the County.

BUFFALO COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 9,478,459	\$ 9,478,459	\$ 9,380,341	\$ (98,118)
Licenses and Permits	150,150	150,150	162,001	11,851
Intergovernmental	3,366,055	3,366,055	3,540,856	174,801
Charges for Services	1,367,475	1,367,475	1,709,677	342,202
Miscellaneous	50,000	50,000	196,788	146,788
TOTAL RECEIPTS	<u>14,412,139</u>	<u>14,412,139</u>	<u>14,989,663</u>	<u>577,524</u>
DISBURSEMENTS				
General Government:				
County Board	301,812	301,812	263,715	38,097
County Clerk	138,859	138,859	137,804	1,055
County Treasurer	361,893	361,893	354,229	7,664
Register of Deeds	210,506	210,506	208,569	1,937
County Assessor	494,027	494,027	491,322	2,705
Election Commissioner	190,279	190,279	174,156	16,123
Zoning	78,293	78,293	71,554	6,739
Data Processing Department	305,567	439,567	437,702	1,865
Clerk of the District Court	465,800	465,800	419,231	46,569
County Court System	267,200	267,200	235,796	31,404
Public Defender	459,042	459,042	441,769	17,273
Building and Grounds	684,236	684,236	398,217	286,019
Agricultural Extension Agent	174,526	174,526	174,326	200
Miscellaneous	1,501,517	1,367,517	1,106,350	261,167
Public Safety				
County Sheriff	1,724,038	1,724,038	1,687,458	36,580
County Attorney	1,072,962	1,072,962	1,032,763	40,199
Communication Center	622,195	622,195	611,252	10,943
County Jail	1,032,996	1,032,996	959,164	73,832
Emergency Manager	90,465	90,465	90,451	14
Probation	27,150	27,150	27,136	14
Miscellaneous	1,910,532	1,910,532	1,826,842	83,690
Public Works				
County Surveyor	120,494	120,494	66,981	53,513
Miscellaneous	35,200	35,200	13,769	21,431
Public Health				
Miscellaneous	114,010	114,010	117,728	(3,718)
Public Assistance				
Veterans' Service Officer	124,215	124,215	122,340	1,875
Miscellaneous	56,831	56,831	56,831	-
Culture and Recreation				
Miscellaneous	436,050	436,050	508,929	(72,879)
Capital Outlay	600,000	600,000	780,017	(180,017)
TOTAL DISBURSEMENTS	<u>13,600,695</u>	<u>13,600,695</u>	<u>12,816,401</u>	<u>784,294</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	811,444	811,444	2,173,262	1,361,818
OTHER FINANCING SOURCES (USES)				
Transfers in	6,321,196	6,321,196	2,991,250	(3,329,946)
Transfers out	(4,656,070)	(4,656,070)	(4,469,450)	186,620
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,665,126</u>	<u>1,665,126</u>	<u>(1,478,200)</u>	<u>(3,143,326)</u>
Net Change in Fund Balance	2,476,570	2,476,570	695,062	(1,781,508)
FUND BALANCES - BEGINNING	273,430	273,430	273,430	-
FUND BALANCES - ENDING	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>	<u>\$ 968,492</u>	<u>\$ (1,781,508)</u>

BUFFALO COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Intergovernmental	\$ 2,210,500	\$ 2,210,500	\$ 2,163,351	\$ (47,149)
Miscellaneous	70,000	70,000	112,624	42,624
TOTAL RECEIPTS	<u>2,280,500</u>	<u>2,280,500</u>	<u>2,275,975</u>	<u>(4,525)</u>
DISBURSEMENTS	<u>4,742,055</u>	<u>4,742,055</u>	<u>3,883,834</u>	<u>858,221</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(2,461,555)	(2,461,555)	(1,607,859)	853,696
OTHER FINANCING SOURCES (USES)				
Transfers in	2,450,292	2,450,292	1,798,400	(651,892)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,450,292</u>	<u>2,450,292</u>	<u>1,798,400</u>	<u>(651,892)</u>
Net Change in Fund Balance	(11,263)	(11,263)	190,541	201,804
FUND BALANCE - BEGINNING	11,263	11,263	11,263	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,804</u>	<u>\$ 201,804</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 600,000	\$ 600,000	\$ 422,083	\$ (177,917)
TOTAL RECEIPTS	<u>600,000</u>	<u>600,000</u>	<u>422,083</u>	<u>(177,917)</u>
DISBURSEMENTS	<u>10,000</u>	<u>10,000</u>	<u>2,045</u>	<u>7,955</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	590,000	590,000	420,038	(169,962)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	712,500	712,500
Transfers out	(4,038,242)	(4,038,242)	(1,793,300)	2,244,942
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,038,242)</u>	<u>(4,038,242)</u>	<u>(1,080,800)</u>	<u>2,957,442</u>
Net Change in Fund Balance	(3,448,242)	(3,448,242)	(660,762)	2,787,480
FUND BALANCE - BEGINNING	3,448,242	3,448,242	3,448,242	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,787,480</u>	<u>\$ 2,787,480</u>

(Continued)

BUFFALO COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COUNTY BUILDING AND REPAIR FUND				
RECEIPTS				
Interest	\$ 75,000	\$ 75,000	\$ 399,210	\$ 324,210
TOTAL RECEIPTS	<u>75,000</u>	<u>75,000</u>	<u>399,210</u>	<u>324,210</u>
DISBURSEMENTS				
	-	-	-	-
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS				
	75,000	75,000	399,210	324,210
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(2,275,140)	(2,275,140)	(1,197,950)	1,077,190
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,275,140)</u>	<u>(2,275,140)</u>	<u>(1,197,950)</u>	<u>1,077,190</u>
Net Change in Fund Balance	(2,200,140)	(2,200,140)	(798,740)	1,401,400
FUND BALANCE - BEGINNING	2,200,140	2,200,140	2,200,140	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,401,400</u>	<u>\$ 1,401,400</u>

(Concluded)

BUFFALO COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2006

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.

Deficit Fund Balance

The Medical Relief Fund and Institutions Fund had deficit fund balances of \$505 and \$268, respectively, as of June 30, 2006. The County Board transferred funds to cover the expenditures.

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

For the Year Ended June 30, 2006

	Special Bridge Fund	Visitor Promotion Fund	Unemployment Fund	Medical Relief Fund	Institutions Fund	Veterans' Aid Fund
RECEIPTS						
Property Taxes	\$ -	\$ 304,438	\$ -	\$ 39,997	\$ 8,292	\$ 19,218
Interest	-	220	-	-	-	-
Intergovernmental	-	-	-	745	154	1,408
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	19,086	-	-
TOTAL RECEIPTS	-	304,658	-	59,828	8,446	20,626
DISBURSEMENTS						
General Government	-	-	12,307	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	1,709,339	-	-	-	-	-
Public Assistance	-	-	-	99,408	12,984	25,000
Culture and Recreation	-	300,850	-	-	-	-
TOTAL DISBURSEMENTS	1,709,339	300,850	12,307	99,408	12,984	25,000
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,709,339)	3,808	(12,307)	(39,580)	(4,538)	(4,374)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,709,750	2,600	-	10,600	1,700	-
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,709,750	2,600	-	10,600	1,700	-
Net Change in Fund Balances	411	6,408	(12,307)	(28,980)	(2,838)	(4,374)
FUND BALANCES - BEGINNING	31	24,557	38,558	28,475	2,570	8,634
FUND BALANCES - ENDING	\$ 442	\$ 30,965	\$ 26,251	\$ (505)	\$ (268)	\$ 4,260

(Continued)

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

For the Year Ended June 30, 2006

	STOP Program Fund	Drug Fund	911 Emergency Service Fund	Bond Debt Fund	Weed Fund	Total Nonmajor Governmental Funds
RECEIPTS						
Property Taxes	\$ -	\$ -	\$ 143,264	\$ 13	\$ 3	\$ 515,225
Interest	-	-	-	-	-	220
Intergovernmental	-	-	-	-	-	2,307
Charges for Services	20,293	-	-	-	130,217	150,510
Miscellaneous	-	255	7,993	-	-	27,334
TOTAL RECEIPTS	20,293	255	151,257	13	130,220	695,596
DISBURSEMENTS						
General Government	-	-	-	-	-	12,307
Public Safety	17,218	255	99,954	-	-	117,427
Public Works	-	-	-	-	362,572	2,071,911
Public Assistance	-	-	-	-	-	137,392
Culture and Recreation	-	-	-	-	-	300,850
TOTAL DISBURSEMENTS	17,218	255	99,954	-	362,572	2,639,887
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	3,075	-	51,303	13	(232,352)	(1,944,291)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	233,900	1,958,550
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	233,900	1,958,550
Net Change in Fund Balances	3,075	-	51,303	13	1,548	14,259
FUND BALANCES - BEGINNING	6,074	2,134	64,554	13	14,138	189,738
FUND BALANCES - ENDING	\$ 9,149	\$ 2,134	\$ 115,857	\$ 26	\$ 15,686	\$ 203,997

(Concluded)

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

For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
SPECIAL BRIDGE FUND				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	1,823,000	1,823,000	1,709,339	113,661
OTHER FINANCING SOURCES (USES)				
Transfers in	1,822,969	1,822,969	1,709,750	(113,219)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,822,969	1,822,969	1,709,750	(113,219)
Net Change in Fund Balance	(31)	(31)	411	442
FUND BALANCE - BEGINNING	31	31	31	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 442	\$ 442
VISITOR PROMOTION FUND				
RECEIPTS				
Taxes	\$ 334,243	\$ 334,243	\$ 304,438	\$ (29,805)
Interest	-	-	220	220
TOTAL RECEIPTS	334,243	334,243	304,658	(29,585)
DISBURSEMENTS	358,800	358,800	300,850	57,950
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,600	2,600
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	2,600	2,600
Net Change in Fund Balance	(24,557)	(24,557)	6,408	30,965
FUND BALANCE - BEGINNING	24,557	24,557	24,557	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 30,965	\$ 30,965

(Continued)

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

For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
UNEMPLOYMENT FUND				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	38,558	38,558	12,307	26,251
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(38,558)	(38,558)	(12,307)	26,251
FUND BALANCE - BEGINNING	38,558	38,558	38,558	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 26,251	\$ 26,251
MEDICAL RELIEF FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 39,997	\$ 39,997
Intergovernmental	-	-	745	745
Miscellaneous	8,000	8,000	19,086	11,086
TOTAL RECEIPTS	8,000	8,000	59,828	51,828
DISBURSEMENTS	132,000	132,000	99,408	32,592
OTHER FINANCING SOURCES (USES)				
Transfers in	103,325	103,325	10,600	(92,725)
Transfers out	(7,800)	(7,800)	-	7,800
TOTAL OTHER FINANCING SOURCES (USES)	95,525	95,525	10,600	(84,925)
Net Change in Fund Balance	(28,475)	(28,475)	(28,980)	(505)
FUND BALANCE - BEGINNING	28,475	28,475	28,475	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ (505)	\$ (505)

(Continued)

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

For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
INSTITUTIONS FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 8,292	\$ 8,292
Intergovernmental	-	-	154	154
TOTAL RECEIPTS	-	-	8,446	8,446
DISBURSEMENTS	26,000	26,000	12,984	13,016
OTHER FINANCING SOURCES (USES)				
Transfers in	23,430	23,430	1,700	(21,730)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	23,430	23,430	1,700	(21,730)
Net Change in Fund Balance	(2,570)	(2,570)	(2,838)	(268)
FUND BALANCE - BEGINNING	2,570	2,570	2,570	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ (268)	\$ (268)

VETERANS' AID FUND				
RECEIPTS				
Taxes	\$ 20,291	\$ 20,291	\$ 19,218	\$ (1,073)
Intergovernmental	1,075	1,075	1,408	333
TOTAL RECEIPTS	21,366	21,366	20,626	(740)
DISBURSEMENTS	25,000	25,000	25,000	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(3,634)	(3,634)	(4,374)	(740)
FUND BALANCE - BEGINNING	8,634	8,634	8,634	-
FUND BALANCE - ENDING	\$ 5,000	\$ 5,000	\$ 4,260	\$ (740)

(Continued)

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

For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
STOP PROGRAM FUND				
RECEIPTS				
Charges for Services	\$ 13,926	\$ 13,926	\$ 20,293	\$ 6,367
TOTAL RECEIPTS	13,926	13,926	20,293	6,367
DISBURSEMENTS	20,000	20,000	17,218	2,782
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(6,074)	(6,074)	3,075	9,149
FUND BALANCE - BEGINNING	6,074	6,074	6,074	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,149</u>	<u>\$ 9,149</u>
DRUG FUND				
RECEIPTS				
Miscellaneous	\$ 28,366	\$ 28,366	\$ 255	\$ (28,111)
TOTAL RECEIPTS	28,366	28,366	255	(28,111)
DISBURSEMENTS	30,500	30,500	255	30,245
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(2,134)	(2,134)	-	2,134
FUND BALANCE - BEGINNING	2,134	2,134	2,134	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,134</u>	<u>\$ 2,134</u>

(Continued)

BUFFALO COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
GRANT FUND				
RECEIPTS				
Intergovernmental	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
TOTAL RECEIPTS	1,500	1,500	-	(1,500)
DISBURSEMENTS	1,500	1,500	-	1,500
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	-	-	-	-
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ -	\$ -

911 EMERGENCY SERVICE FUND				
RECEIPTS				
Taxes	\$ 145,446	\$ 145,446	\$ 143,264	\$ (2,182)
Miscellaneous	-	-	7,993	7,993
TOTAL RECEIPTS	145,446	145,446	151,257	5,811
DISBURSEMENTS	210,000	210,000	99,954	110,046
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(64,554)	(64,554)	51,303	115,857
FUND BALANCE - BEGINNING	64,554	64,554	64,554	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 115,857	\$ 115,857

(Continued)

BUFFALO COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
BOND DEBT FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 13	\$ 13
TOTAL RECEIPTS	-	-	13	13
DISBURSEMENTS				
	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(13)	(13)	-	13
TOTAL OTHER FINANCING SOURCES (USES)	(13)	(13)	-	13
Net Change in Fund Balance	(13)	(13)	13	26
FUND BALANCE - BEGINNING	13	13	13	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 26</u>

WEED FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 3	\$ 3
Intergovernmental	10,000	10,000	-	(10,000)
Charges for Services	85,000	85,000	130,217	45,217
TOTAL RECEIPTS	95,000	95,000	130,220	35,220
DISBURSEMENTS				
	365,191	365,191	362,572	2,619
OTHER FINANCING SOURCES (USES)				
Transfers in	256,053	256,053	233,900	(22,153)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	256,053	256,053	233,900	(22,153)
Net Change in Fund Balance	(14,138)	(14,138)	1,548	15,686
FUND BALANCE - BEGINNING	14,138	14,138	14,138	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,686</u>	<u>\$ 15,686</u>

(Concluded)

BUFFALO COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2006

	County Clerk	Register of Deeds	Clerk of the District Court	County Sheriff	County Attorney
BALANCE JULY 1, 2005	\$ 238	\$ 58,659	\$ 271,407	\$ 84,660	\$ 60,045
RECEIPTS					
Property Taxes	-	-	-	144,575	-
Licenses and Permits	5,850	-	-	-	-
Charges for Services	2,999	302,604	56,631	909,046	-
Miscellaneous	-	-	-	14,932	-
State Fees	-	307,550	48,935	-	-
Other Liabilities	-	-	2,100,578	121,019	4,954
TOTAL RECEIPTS	8,849	610,154	2,206,144	1,189,572	4,954
DISBURSEMENTS					
Payments to County Treasurer	8,787	303,727	54,486	1,049,208	-
Payments to State Treasurer	-	296,740	49,642	-	-
Other Liabilities	-	-	1,314,265	150,462	20,336
TOTAL DISBURSEMENTS	8,787	600,467	1,418,393	1,199,670	20,336
BALANCE JUNE 30, 2006	<u>\$ 300</u>	<u>\$ 68,346</u>	<u>\$ 1,059,158</u>	<u>\$ 74,562</u>	<u>\$ 44,663</u>
BALANCE CONSISTS OF:					
Due to County Treasurer	\$ 215	\$ 31,572	\$ 4,157	\$ 48,936	\$ -
Petty Cash	85	-	1,000	463	1,500
Due to State Treasurer	-	36,774	3,118	-	-
Due to Others	-	-	1,050,883	25,163	43,163
BALANCE JUNE 30, 2006	<u>\$ 300</u>	<u>\$ 68,346</u>	<u>\$ 1,059,158</u>	<u>\$ 74,562</u>	<u>\$ 44,663</u>

<u>Weed Superintendent</u>	<u>Highway Superintendent</u>	<u>Veterans' Service Officer</u>	<u>County Election Commissioner</u>	<u>County Planning and Zoning</u>	<u>Total</u>
\$ 53,023	\$ 33,248	\$ 26,676	\$ -	\$ 50	\$ 588,006
-	-	-	-	-	144,575
-	-	-	-	5,415	11,265
139,398	117,109	-	19,885	-	1,547,672
-	-	-	-	-	14,932
555	72	-	-	-	357,112
-	-	25,046	-	-	2,251,597
<u>139,953</u>	<u>117,181</u>	<u>25,046</u>	<u>19,885</u>	<u>5,415</u>	<u>4,327,153</u>
130,217	112,744	-	19,885	5,415	1,684,469
1,011	98	-	-	-	347,491
-	-	19,355	-	-	1,504,418
<u>131,228</u>	<u>112,842</u>	<u>19,355</u>	<u>19,885</u>	<u>5,415</u>	<u>3,536,378</u>
<u>\$ 61,748</u>	<u>\$ 37,587</u>	<u>\$ 32,367</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 1,378,781</u>
\$ 61,748	\$ 37,576	\$ -	\$ -	\$ -	\$ 184,204
-	-	-	-	50	3,098
-	11	-	-	-	39,903
-	-	32,367	-	-	1,151,576
<u>\$ 61,748</u>	<u>\$ 37,587</u>	<u>\$ 32,367</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 1,378,781</u>

BUFFALO COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2006

Item	2001	2002	2003	2004	2005
Tax Certified by Assessor					
Real Estate	\$ 30,845,740	\$ 32,379,006	\$ 34,551,636	\$ 36,597,587	\$ 38,873,647
Personal and Specials	4,049,187	4,118,756	4,605,598	4,575,874	4,434,737
Total	<u>34,894,927</u>	<u>36,497,762</u>	<u>39,157,234</u>	<u>41,173,461</u>	<u>43,308,384</u>
Corrections					
Additions	162,663	27,551	418,361	67,566	25,755
Deductions	<u>(75,139)</u>	<u>(50,404)</u>	<u>(139,311)</u>	<u>(74,347)</u>	<u>(11,470)</u>
Net Additions/ (Deductions)	<u>87,524</u>	<u>(22,853)</u>	<u>279,050</u>	<u>(6,781)</u>	<u>14,285</u>
Corrected Certified Tax	<u>34,982,451</u>	<u>36,474,909</u>	<u>39,436,284</u>	<u>41,166,680</u>	<u>43,322,669</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2002	19,843,329	-	-	-	-
June 30, 2003	15,108,053	20,593,347	-	-	-
June 30, 2004	14,349	15,857,075	22,352,035	-	-
June 30, 2005	1,414	7,021	16,962,024	23,383,094	-
June 30, 2006	<u>2,959</u>	<u>4,299</u>	<u>10,015</u>	<u>17,714,633</u>	<u>24,552,758</u>
Total Net Collections	<u>34,970,104</u>	<u>36,461,742</u>	<u>39,324,074</u>	<u>41,097,727</u>	<u>24,552,758</u>
Total Uncollected Tax	<u>\$ 12,347</u>	<u>\$ 13,167</u>	<u>\$ 112,210</u>	<u>\$ 68,953</u>	<u>\$ 18,769,911</u>
Percentage Uncollected Tax	<u>0.04%</u>	<u>0.04%</u>	<u>0.28%</u>	<u>0.17%</u>	<u>43.33%</u>

BUFFALO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE		
Passed through State Commission on Law Enforcement and Criminal Justice		
Juvenile Justice and Delinquency Prevention	16.540	\$ 42,067
Title V Delinquency Prevention Program	16.548	6,805
Public Safety Partnership and Community Policing Grants	16.710	<u>27,510</u>
Total U.S. Department of JUSTICE		<u>76,382</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed through Nebraska Military Department		
State Domestic Preparedness Equipment Support Program (State Homeland Security Grant Program)	97.004	* 1,036,513
Homeland Security Grant Program	97.067	<u>106,322</u>
Total U.S. Department of Homeland Security		<u>1,142,835</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Nebraska Department of Health and Human Services		
Rural Access to Emergency Devices Grant	93.259	* 459,856
Child Support Enforcement	93.563	<u>242,008</u>
Total U.S. Department of Health and Human Services		<u>701,864</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Passed through Nebraska Department of Roads		
Highway Planning and Construction	20.205	<u>58,570</u>
Total U.S. Department of Transportation		<u>58,570</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 1,979,651</u></u>

BUFFALO COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. General

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

2. Summary of Significant Accounting Policies

A. **Reporting Entity**

The County's reporting entity is defined in Note 1.A. to the financial statements. The accompanying Schedule includes the federal awards programs administered by the County for the fiscal year ended June 30, 2006.

B. **Basis of Presentation**

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

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

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

C. **Basis of Accounting**

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

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

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

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We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buffalo County as of and for the year ended June 30, 2006, and have issued our report thereon dated November 2, 2006. The report notes the financial statements were prepared on the basis of cash receipts and disbursements. Except as noted above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Mary Avery
SAE/Finance Manager
Mary.Avery@apa.ne.gov

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Buffalo 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 an opinion 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 Buffalo 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:

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- 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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

We also noted certain additional items that we reported to management of Buffalo County in a separate letter dated November 2, 2006.

This report is intended solely for the information and use of the management 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.

November 2, 2006


Dawn Haffner CPA
Deputy State Auditor

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BUFFALO COUNTY **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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Board of Supervisors
Buffalo County, Nebraska

Don Dunlap, CPA
Asst. Deputy Auditor
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Compliance

We have audited the compliance of Buffalo County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Buffalo County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Buffalo County's management. Our responsibility is to express an opinion on Buffalo County's compliance based on our audit.

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

In our opinion, Buffalo County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Buffalo County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Buffalo County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the County and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

November 2, 2006


Deputy State Auditor

BUFFALO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Reportable conditions identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Internal control over major programs:

Material weaknesses identified? Yes X No

Reportable conditions identified that are not considered to be material weaknesses? Yes X None Reported

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

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

Major programs:
Homeland Security Cluster, CFDA #97.004
Rural Access to Emergency Devices Grant, CFDA #93.259

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

Auditee qualified as low-risk auditee: Yes X No

SECTION II. FINANCIAL STATEMENT FINDINGS

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

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

BUFFALO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION II. FINANCIAL STATEMENT FINDINGS (Concluded)

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

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

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

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Noted.